

IN THE COUNTY OF RUSSELL

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY  
VIRGINIA GAS AND OIL BOARD

OCTOBER 19, 2010

APPEARANCES:

**BOARD MEMBERS:**

MARY QUILLEN - PUBLIC MEMBER  
BRUCE PRATHER - OIL REPRESENTATIVE  
BILL HARRIS - PUBLIC MEMBER  
DONNIE RATLIFF - COAL REPRESENTATIVE  
KATIE DYE - PUBLIC MEMBER

**CHAIRMAN:**

BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD

DAVID ASBURY - DIRECTOR OF THE DIVISION OF GAS & OIL AND  
PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

DIANE DAVIS - STAFF MEMBER OF THE DGO

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BUTCH LAMBERT: Ladies and gentlemen, it's a little bit after 9:00. It's time for us to begin the proceedings this morning. I'll remind everyone that if you have cell phones or other communication devices, please turn those off or put them on vibrate. If you must take a call, we'd ask that you take that outside in the lobby. At this time, I'll ask the Board members to please introduce themselves beginning with Ms. Dye.

KATIE DYE: Good morning. I'm Katie Dye and a public member from Buchanan County.

SHARON PIGEON: I'm Sharon Pigeon with the office of the Attorney General.

BUTCH LAMBERT: I'm Butch Lambert, the representative with the Department of Mines, Minerals and Energy.

BILL HARRIS: Good morning. I'm Bill Harris, a public member from Wise County.

DONNIE RATLIFF: Donnie Ratliff representing coal from Wise County.

BRUCE PRATHER: I'm Bruce Prater. I represent the oil and gas industry on the Board.

MARY QUILLEN: Mary Quillen, a public member.

BUTCH LAMBERT: Thank you. At this time, we'll enter into public comment period. First on the sign up

sheet is Mitchell Counts. Please state your name for the record.

MITCHELL COUNTS: My name is Mitchell Counts. I'm a retired miner. I have the same problem that I've had every since I started coming here and that's trying to get out of a paying a lawyer to get what...what is coming to me. I noticed a gentlemen that spoke after me last week started telling us how much oil we have and how we're going to build our state up and we can run it for the next 50 years on natural gas or methane gas. Somehow there's a difference in that. And there's...I think you have to pay for something before you sell it. I've not received any compensation for any of the gas that was on my property. Of course, the gas has been taken off for 20 years now. I'd like to know what his plan is for the land owner, the people that own this gas. Are we going to give it to the state or if we've got money coming, how in the world are we going to get it? How do we get our money? I'm sure every land owner in here would like to know the same thing. How do we...how do we get paid for what is ours? They've already taken it for 20 years. I'm going to die before...before I get a penny of it it looks like. But I will be here every month until I die, I guess, trying

to get paid for what has already been taken from my land and what's to come. What's to come is the big number. I'm sure they would like to settle...just to settle and buy it all before we get into the billions and billions of cubic feet of gas that lays before the Virginia Pocahontas. I'm sure there are plenty of people here that know about that. The gentleman also said something about fracing the ground with the gas wells. The best information that I've found out on that is pbs.orgneedto know.com. You can find out what the rest of the country feels like about fracing the ground. There's people getting dishwater coming back through the...or it looks like dishwater only it will burn you coming back to their sinks right now. There is no way that you can frac the ground and do it in a way that's going to help the ecology. That's about all I've got to say.

BUTCH LAMBERT: Thank you, Mr. Counts.

MITCHELL COUNTS: Thank you for your time.

BUTCH LAMBERT: Catherine Jewell.

CATHERINE JEWELL: I'm Catherine Jewell. I have a couple of questions here, which you may or may not want to answer. A while back we heard about a database of the unknowns and unlocateable types. I think it was just a name database. That several people from DGO and

DMME were working on this. I'd like to know, one, what the status of that is. This little thing behind me that says, what's the intent? I mean, it would be nice to have a database on all of the people, but why...why would you do a database just on the unknowns. I tend to think that maybe this might have something to do with these would be the funds that would be escheated to the estate. I get sort of paranoid about those things. I have a feeling that might be what's behind it. Can I hear what the status of the unknown is?

BUTCH LAMBERT: As we said a couple of months ago, we wouldn't address any questions. But I think that's a legitimate question and that's one that the public probably has a great interest in. Since we have been working on a database, it has greatly expanded. We have four people...well, actually, we have about seven people total working on that database and it will encompass much, much more than just the unknown and unlocateables. People can do a searchable of that database. We had originally estimated to have that completed by the end of November, but I think that will now go into maybe early next year given how that has been expanded to take in more additional information.

CATHERINE JEWELL: So, you're...your hopes is



that somebody who comes in and says I don't know if I'm on...you know, my heirship is this but I don't know if they've not located me that you could actually do a search and pull up all units that that person might be

in. Is that sort of the plan?

BUTCH LAMBERT: If the person has the information, either docket number or well name or---?

CATHERINE JEWELL: Oh, it's going to be based on that. It wouldn't be---.

BUTCH LAMBERT: There will be several searchable fields. You just won't---.

CATHERINE JEWELL: Okay.

BUTCH LAMBERT: ---have to be...you won't be able to just to pick a name and search. You can also pick a well. You can pick a unit. That's why their expanding it. We have extended that date to complete that well on.

CATHERINE JEWELL: Is it...I would just suggest that maybe it might be easier...it might be helpful to just have a name that you could search. I know there's problems with that. But I...you know, a lot of people have...you know, grandad might have had a tract here, a tract here and a tract here. They might be located and

found here and they're not here. I have talked with people that were located and leased and being paid on a portion of the tract. The next unit over where that same tract fell into, they were listed as an unknown. So, I mean I'd like to, you know---.

BUTCH LAMBERT: We're trying...we're trying...we're looking at everything we can possibly think of to put in that database to make a searchable database.

CATHERINE JEWELL: Okay.

BUTCH LAMBERT: So, after we get it public, we welcome input on things that we can improve. But I hope that answered the question.

CATHERINE JEWELL: Yes, that does. I'm glad to see that there's progress on that and hopefully it's not towards what could be escheated to the estate. Peggy Barber's appointment, I think, expired at the end of June.

BUTCH LAMBERT: Yes, it did.

CATHERINE JEWELL: Did we have somebody or when are we going to have our public rep?

BUTCH LAMBERT: I can't answer that question. I really don't know. That's...we haven't had any word from the Governor's office on that replacement.

CATHERINE JEWELL: Okay. I think a couple of months ago I'd mentioned that the blanket bonds for CNX and EQT, which they exercised the blanket bonds due to having more than 50 wells and that each one of these companies had maybe over 3,000 wells and that that bond actually equated to \$33 per well. Now, gas and oil is exempted from the clean water act. It's also exempted from (inaudible). I would like to see the state and the people that are supposed to be protecting us maybe jump on this and get a bond that is feasible with what the...or a bond that is equivalent to what the actual cost or around the cost of what plugging would be because, you know, it just...to me it just seems like we are creating a (inaudible). \$33 a well, what would that pay for? I'm not too sure. But maybe a couple of feet of pipe or cement or something. Two months ago I requested that EQT wells have always been labeled VC, PC and now VCI prefixes. You can't tell where these wells are located. CNX has...uses a grid. So, there would be like A-38 and an A-38 if you pull that unit up you'll find how many wells are in A-38 provided that these some of these wells did not occur prior to say 1992 where they had sort of strange labeling systems. But, I'd like to see a grid of these units and how these equate.

What wells are in what units. If not a grid, just a printout saying, you know, this unit we have and this is the wells that we have. This is the first well. This is a VCI increased density well because it's very hard for people to figure out, well, you know, I've got this VC, you know, well on my property, but I really don't know if my unit shared, this 60 acre...58 point whatever acre unit, if there's another well in it. I'm not going to walk all over that 58 point whatever acre unit to try to see where that other well is. There's no way for that person to figure out if there's another well. So, I mean, I just think that's a reasonable request.

I was down at the Courthouse not too long ago and I was pulling some supplemental orders and I noticed that a lot of these supplemental orders were missing maps. They did not have the attached exhibits. I don't know if it's just the copy that's filed in the Courthouse. The Courthouse is generally what people would search for to do a property search and to do a title search on whatever. If you don't have a map, that little supplemental order means absolutely nothing because I can't locate it and nobody can locate it. There's not a description of these things. These files are incomplete. I've seen exhibits where there's no

Exhibit E. There's no Exhibit EE, but there's clearly when you look at the B Exhibit there should be some...at least the Exhibit E, you know, explaining where that escrow stuff and maybe if you pull that same file and you pull the application you see those exhibits. For some reason they're missing. I mean, this could be simply, you know, failure to include the whole thing. I don't know. But I think that's an issue because like I said, that's the first place you go when you look for title.

I have a question and you probably won't be able to answer this. Since there was never a contract with respect to a person chosen to go carried or a non-participating owner of person choosing to participate. Choosing to participate makes you an equivalent to the operator. When you choose to go carried, what is your liability with respect to plugging the well? Because you've offset your 200% or 300% if you're a lease holder? Do you have an obligation with respect to plugging the well? Because I would hate to, I don't know, elect to be carried and then 30 years or 60 years or whatever we're forecasting these wells to be that all of a sudden this operator has filed Chapter whatever and they come to me and say, you know, fork over the money

to plug this well because I'd want to know what my liability is and I think that needs to be addressed.

I also would like to know...have an idea or how many wells had been plugged? How many wells are out there that are open and that have been open for over 10 years? How many have been open for over 5 years and how many have been open for 2 years? And if...I assume we plug these wells for the environmental and health and safety reasons. If we're not plugging them, I'd like to know why.

I've mentioned this before, I'd like to see these water tests to include bacteria because this seems to be the major contamination that is happening to water wells that still exists where we have not publically funded huge amounts of public service water at a huge expense to cover for where water wells have been contaminated. I'd like to see bacteria concentration in the water that is used to...used to...while you're drilling the well before that ground water protection string is laid. Right now they're taking it from streams that are considered and have been considered for decades by DCR and DEQ as impaired streams.

Back, I think it might have been April, where Dr. Waltz was in here he talked about some regulations

and changes and he talked about where these increased density now every...every well or unit that you are approving for increased density would have to have a permit fee associated with it. I don't know because I don't look at what the permit fees are. But when a person comes in here with 30 or 40 increased density wells, are we assessing the same permit fee that we've been assessing for a person who has a modification for one unit. And, also, a while back, I submitted a bunch of comments on regulations for the gas and oil. I've not seen the status of any of those things. So, that's all I have to say. Thank you.

BUTCH LAMBERT: Greg Kozear?

GREG KOZEAR: I'm not going to comment.

BUTCH LAMBERT: Shirley Keen.

SHIRLEY KEEN: Good morning.

BUTCH LAMBERT: Good morning.

BILL HARRIS: Good morning.

SHIRLEY KEEN: I'm Shirley Keen. As you all know, I live in Buchanan County. A gentleman spoke last month on the gas, which Mitch Counts has already covered that. But I personally know about the water. I had a niece, she turn on the faucet to get dishwater and it looked like soap coming out of the sink. She put her

hands under that water and it peeled the hide...her hands broke out. It took the hide off of her hands. The gentleman said the water is not being affected. Yes, it is being affected. Personally, we know this. If the people that's speaking would come to the county and look and see and know what's going on, then they can talk and people might believe it. But I'm not one to be against any job closing or anything like that. I'm not for that. But the people in the county are being taken advantage of. Our water is being damaged totally. I know this. I live there. I have lived there for...I'm 62 years old and I moved out for 15 years and come back. The water wasn't like that until these wells were being drilled. The people is not being protected from the water, personally I know this. The gentleman that spoke, I would like for him to come and look and see what he's telling you before he tells you anything because you're relying on us to be telling you the truth and when I speak I tell you the truth. But the water is being damaged. I want...I want to go on record, the water is being damaged. But I'm not trying to create nothing with no jobs. I don't want no jobs shut down. I just want the people in this county...in our county to be taken care of. If you, as a Board, you've never been



in Buchanan County to see the damaged, I wish you would come and go around and look and see the damage that has been done. I live there. I know. I see things happening. I know what's going on. So, if you'uns would like to go over, I would even go around with you and show you things. But my niece, the hide come right off her hands. Come out of her kitchen sink. It did happen. Thank you very much.

BUTCH LAMBERT: Ms. Keen, did your niece file a complaint with our Division of Gas and Oil?

SHIRLEY KEEN: Yes. They sent a guy by to check the water. The water was bad. Then it wasn't no time flat until they come back, well, the water was okay. Well, the water wasn't okay. She had to go to the doctor and get medication for her hands. They couldn't take a shower for...well, they had to shut their well off and haul water from Raven to cook, to bath for everything for quite a while and then eventually they come by and put her water. She had to fight, fight and fight to get it and that's not right. When they mess up something, it needs to be fixed then and there. If it was their homes, I'm sure they would want their water fixed. They were on...my sister and her husband is on disability. They had no money to go out and do nothing.

They had to haul water and go to Raven...they went to my aunt's house and took their baths most of the time and then when they got to where they couldn't just keep traveling back and forth, they had to haul water in to take baths, to cook and everything. But they fit for I don't know how long before they get their water fixed. Then they wanted to put a pipeline across the land before they would fix the water.

BUTCH LAMBERT: Okay.

SHIRLEY KEEN: And that's not right. You don't do people that way. It is wrong. When you tear up something...if I tore something up of theirs, I would fix it. That's...that's what we want. We own this land and we want to be protected. We want what's ours. Our gas money, we want our gas money. It's ridiculous for us to have to hire an attorney when our deeds plainly states coal only and it's wrote out O-N-L-Y. That is only. But we have to get an attorney to fight to get what's ours and that's wrong when you're getting twelve and a half percent anyway. Then you've got to pay a lawyer some of that, but I'll pay a lawyer before I'll give it to the coal companies. I'd rather give it to a lawyer as to give it to the coal companies because they don't own it and I'm not going to give it to them. But

now this water is being damaged. Thank you.

BUTCH LAMBERT: Thank you. The next item, excuse me, on the docket is the Board will receive a quarterly report from the escrow agent, First Bank and Trust. Good morning.

LETON HARDING: Good morning, sir.

KAREN MCDONALD: Good morning.

BUTCH LAMBERT: Glad to have you all this morning.

LETON HARDING: Mr. Chairman and members of the Board and staff, my name is Leton Harding. I serve as executive vice president of First Bank and Trust Company.

DEBBIE DAVIS: My name is Debbie Davis. I'm the trust officer in the Wealth Management Division.

KAREN MCDONALD: And I'm Karen McDonald, the investment officer in the Trust Division.

LETON HARDING: Mr. Chairman and members of the Board and the staff, again, we appreciate the opportunity to be with you today. I personally have not had the opportunity to join you for a couple of past meetings, but it has been roughly a year since we began our initial dialogue in terms of servicing the Board and this fund. Again, as always, we do appreciate the

opportunity to serve the Virginia Gas and Oil and its contiguous. Mr. Chairman, if I may, I just want to add a couple of things and we'll just jump right into the report. One of the items that we have discussed with the Board is utilization of the FDA...expanded FDIC insurance and as we have reported at previous meetings, the FDIC through a temporary liquidity program allowed for all checking accounts that paid a quarter percent or less to be completely FDIC insured. That was a regulatory action on the part of the FDIC. Through the recent legislation passed in Washington, the Dodd-Frank Bill, that was codified and so that now any checking accounts will have the ability to have unlimited FDIC insurance from January the 1st, 2011 through December the 31st, 2012. That sort of removes, if you will, the spectrum... spectra rather of the FDIC making decision. Do they want to do it or do they not want to do it? So, at least for a period of basically two years and a quarter, the Board has the assurance that the FDIC in terms of the money market or the interest checking account that we're offering to you at a quarter percent will remain completely FDIC insured. That in no way indicates that would be our long term recommendation as you will see from your report in just a few moments. We

are following the Board's instructions to try to diversify and increase yield. However, for those funds above that, we want you to know that you have that extra FDIC insurance coverage.

Secondly, we continue to work within our industry particularly as it relates to electronic commerce and automatic Clearing House activities. I know Ms. Davis has talked with you some and will talk with you again today about other opportunities for us to import information to make sure that, you know, we have the correct information and in as much detail as we possibly can into the reports. I think we're doing a good job with that. But anything that we can put into a mechanized electronic formats, you know, minimizes any kind of someone not seeing something or not picking something up. It's extremely important to us that we do an adequate job for the Board and for the escrow beneficiaries.

I was just in Washington this past weekend at a meeting and I know that the big conversation there was the prospects that we are not looking at any kind of significant changes in terms of interest rates during this short-term. Most of the dialogue there was about the Federal Reserve and this proposed what's called

Qualitative Easing, which simply means that the Federal Reserve will be going out and buying Treasury Bonds and that kind of...anytime you have more people looking to do something it can kind of drive the price down and that's what we think will generally happen. We will...as Karen will do at this meeting and at subsequent meetings, we'll try to give you our best advice and recommendation visa via what we think the markets are doing, but I think the general census that I heard last week was that we were sill looking for an extended period of time for lower interest rates, which is great if you're borrowing 30 year mortgage at 3.95, but it's not so good if you're looking to increase your yields as a fixed income investor. Again, I want to thank members of the Board and the staff for giving us the opportunity to serve and for giving me the opportunity to be with you again today. I think at this point, Karen, are you going to jump in or is Debbie going to jump in next?

KAREN MCDONALD: Debbie is next.

LETON HARDING: All right.

DEBBIE DAVIS: Good morning. If you'll notice under your first tab, I have completed a summary page to let you know working interest deposits received for the

quarter was \$10,468.05. Royalty deposits were \$538,057.69. Income earned for the quarter was \$19,284.29. Fees taken was \$6,515.17. We made distributions of \$232,170.32, which leaves us with a current market value of \$26,2---.

LETON HARDING: 26 million.

DEBBIE DAVIS: Excuse me. \$26,291,066.85.

LETON HARDING: That's even a big number for us, Mr. Chairman.

DEBBIE DAVIS: You will find the spreadsheet for the month of September with each of the columns and the breakdowns. One thing that I would like to address is where we have to keep the separation of the working interest deposits versus the royalty deposits, I'm finding when the producers are sending those checks in, they're sending it all in under one check and then you have to look in...with the descriptions trying to determine which is royalty and which is working. I don't know if there's somehow we can work to have that separated out or make it more distinguished of what those are because with one check, I may have...it may be broken out where there's five amounts of royalty deposits and maybe five or six amounts of working interest and then I'm having to manually figure, you

know, this check needs to be split so that I can keep those separated for you all. I apologize. I don't know the difference between the working and royalty other than I need to keep those separate.

LETON HARDING: Mr. Chairman, one of the things that I know with Debbie's visitations with the Board and the staff, we want to continue to investigate opportunities for electronic delivery of deposits and information. Many of you are aware of the electronic... the automatic clearing house system. If you have direct deposit or payroll or social security or those kinds of things, but in addition to that that system does allow not only for the actual dollar amount to be communicated, but it also allows for what's called addendum information to be communicated. We have, for example, a number of businesses who provide work for the State of Virginia and the State whenever they make a payment, for example, not only will send over information relating to the dollar amount but they will also send addendum information, which might identify, for example, the project. For example, if you have someone doing road work or guardrail work, the invoice number and all of those kind of things. I'm not saying that would necessary be appropriate here, but we know



that there's some systems out there that have that potential and, again, anything that we can do electronically to bring in and import into our data system it truly minimizes the potential for, you know, human inadvertent error and so forth like that. So, that's just something, again, we want to highlight for the Board and we would like to continue to explore over time with the Board and the producers.

BUTCH LAMBERT: Thank you. That's a very good suggestion. We'll work on that one and see what we can do.

DEBBIE DAVIS: I know at one of our previous meetings it was discussed that the producer may start providing gas with a breakdown of, you know, yes, they've sent in this amount of money for this well. Something to double check to make sure that I have, in fact, received all of the checks in question. Do we know where we're at on that or---?

BUTCH LAMBERT: I don't think we're anywhere on that.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: The letter, the Board and you signed in June, June the 23rd, I believe, asked the

operators to prepare their contributions to the escrow account for the 2010 physical year for July 1, '09 through June 30, 2010. That information is due to the Board December the 1st.

BUTCH LAMBERT: That's the reconciliation that we asked. Is that the question?

DEBBIE DAVIS: I guess. I know it was discussed. So, you know, I didn't know if that would be something that would be available to us. Like I had said, you know, one of the producers sends individual checks in individual envelopes and so a lot of times, you know, I may get a whole batch on one day and then two weeks later a few straggled in. So, it's always my concern has something gotten lost in the mail? I'm I really getting all that I'm supposed to be getting.

BUTCH LAMBERT: I think what Mr. Asbury was talking...is talking about, and I'm not sure this is what you were looking for, is we were asking for the companies to reconcile what they send at the end of the year. I'm not sure...you're looking for something---.

BILL HARRIS: Are you asking for per month or per---?

DEBBIE DAVIS: You know, that would be...with the number of checks that are received, that would be

great. I mean...I know within our department any checks we send out, we produce a check register and, you know, we double check to make sure, you know...verify the information. So, I don't know if that's something that would be available---.

BUTCH LAMBERT: So, you're looking for something quicker than the reconciliation that we're asking for the producers to give us at the end of the year?

DEBBIE DAVIS: That's a double check to make sure that I'm getting what they say they're sending me.

LETON HARDING: And, Mr. Chairman---.

MARY QUILLEN: Would---?

LETON HARDING: I'm sorry, ma'am.

MARY QUILLEN: I was just going to ask. Would a copy of like a check register or something similar to that that would be sent to you electronically at the end of each month, would that be helpful?

DEBBIE DAVIS: That would work.

LETON HARDING: It doesn't have to necessarily, I think, be, you know, a fancy sort of thing.

MARY QUILLEN: Right. Just---.

LETON HARDING: I think all we want to know is that a check was mailed---.

MARY QUILLEN: ---a spreadsheet type of thing

that has this check. Yeah.

LETON HARDING: ---and, you know, this---.

MARY QUILLEN: The date it was mailed and the amount.

LETON HARDING: Yes, ma'am. And then---.

DEBBIE DAVIS: Right. And then that way I can just verify with what I've posted is proper.

LETON HARDING: Yeah. I think also, again, anytime...I mean, again, we're not here to criticize the United States Mail System. But most of us understand that anytime there's a physical creation of something, there's a potential for something to get lost or damaged or those sorts of things. You know, one of the benefits of electronic or direct deposit is you don't worry about your social security check getting lost in the mail. It's just the 3rd of the month it's in your account. I think, again, it's not our...from our standpoint that we want to dictate to anyone, to the Board or the producers. We just feel like from a due diligence's standpoint, you know, it's nice to have that list so that if we we're expecting a 100 checks to come in and we have a 100 checks or if we have 99 out of a 100 we can, you know, communicate with folks. There is a system that many institutions will utilize, particularly

larger business. We provide this service, for example, for Washington County, Augusta County and Russell County now called Positive Pay. Basically what happens is those groups tell us checks that they have written and then we only post checks against their accounts that they have written. But conversely we can also provide them as the bank at the end of the month a record of checks that have not cleared yet. So, there are a number of things that are out there that potential...it doesn't have to be a very fancy thing. It can simply be something downloaded to an Excel Spreadsheet and, you know, sent to us as well. We just want to make sure that we do the very best that we can and that we're not missing any checks for the Board or for the beneficiaries.

MARY QUILLEN: Well, I know we had previously discussed the checks coming in in individual envelopes rather than in one envelope together and how time consuming---.

DEBBIE DAVIS: Right. And I do---.

MARY QUILLEN: ---and how time consuming it is to open all of those env---.

DEBBIE DAVIS: Right. And I do have one producer that FedEx and sends a whole box with

everything.

MARY QUILLEN: Right. Right. Yes. And if---.

DEBBIE DAVIS: And then, you know, you've got human error. A check may not get stuck in that box that should have and there's no way to verify that, which it is simpler to have the one box rather than the individual envelopes and there's a...there's a cost involved with that.

MARY QUILLEN: Yeah.

DEBBIE DAVIS: You're looking at .33 cents with 250 envelopes.

KAREN MCDONALD: .43.

DEBBIE DAVIS: .43. No, it is .33 because they get their little bulk rate.

KAREN MCDONALD: Oh. All right.

DEBBIE DAVIS: I opened those yesterday. So, it's just something that I want to, you know, bring to your alls attention that you all can think of to try and help address that just so we verify that we are posting and receiving everything that we should be.

BUTCH LAMBERT: And we appreciate you giving us the heads up on that and being able to resolve so that we can...we do have those cross checks in place. That's very important that we do that.

DEBBIE DAVIS: Right.

BUTCH LAMBERT: okay. We will...we took some notes on that and we will see what---.

DEBBIE DAVIS: Okay. And do you all have any questions on the spreadsheet or any of the totals?

DONNIE RATLIFF: Mr. Chairman.

BUTCH LAMBERT: Mr. Ratliff.

DONNIE RATLIFF: It appears...you set up an account number for each well and each docket.

DEBBIE DAVIS: I do.

DONNIE RATLIFF: So, that...that part is already set up as far as trying to do an electronic transfer.

LETON HARDING: Yes.

DONNIE RATLIFF: In the future, if we did Board orders and then the Board order requested that account number to offer to the operators, you know, that shouldn't take a week. That shouldn't take but a day.

DEBBIE DAVIS: And, basically, with my account number if it's an active working well, I start it out with an 80 and then use the last four digits, which is also the VGOB number. Then you'll notice at the bottom of the spreadsheet, I have...they start out with 90. Those are ones where there has been an order brought before the Board, but they are not active. I have not

received money as of today. And as I do receive moneys in, I have spoken with Diane to kind of help her, I've started highlighting those in the yellow to let her know, you know, this was a 90 number and now I've received moneys and it's being...I've brought it up into the active spreadsheet now.

LETON HARDING: Mr. Chairman, in terms of Mr. Ratliff's comments, we'd be happy, I mean, to work and this kind of where...not get really complex, but you just sort of build a data file and, you know, you can import that over with an HCH. Again, we understand, you know, a lot of this is transition. Some of things, to be quite frank with you, we'll take time. We're not asking folks to change it next week or whatever. But we think over the long haul that that continues to minimize any kind of issues relating to the posting of the accounts and communication of information and stuff to the Board. We're very...very happy to continue to proceed the way we are. But, again, our number one goal is just to do the best job we can and not make any particular mistakes with the information we received.

BUTCH LAMBERT: Certainly. We do appreciate any offers that we can get from you that will approve the system and we'll work more closely with the electronic



system that we're trying to develop in-house that will talk to your systems and be able to keep an accurate record and an accounting of what we're doing. So, anything that you have to offer, just like today, is highly appreciated and we will work with that.

DAVID ASBURY: Mr. Chairman, may I ask a question?

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Do you have any of operators right now currently using HCH?

DEBBIE DAVIS: No.

KAREN MCDONALD: I wanted to take a few minutes to review where we are with our investments in the escrow accounts. So, on the first page after the second tab, you'll see the July 1 to September the 30th review. We decided a while back to begin investing \$980,000 in a 6 month CD and \$980,000 in a 12 month CD over each month's period. So, we have purchased for 3 months now and have the equivalent of 6 investment units. We are purchasing these in \$245,000 pieces so that the FDIC coverage flows on each piece. The nature of the CEDARS Program is as long as you do that, you've got coverage...FDIC coverage. Just a reminder, we're earning 50 basis on the 6 month CD and 65 basis points

on the 12 month CD. So, my sheets do not exactly reconcile to what you'll see with Debbie's. What does reconcile is the investment of the dollars in the CEDARS and at the quarter's end was \$5,880,000 and the dollars...the total dollars invested between the money market interest bearing account and the CEDARS is...does match Debbie's figure of \$26,291,066.85. What does not match Debbie's is going to be the estimated quarterly income because of the inflows and outflows through the interest accounts? So, whereas Debbie is showing a \$19,000 plus interest earned, this is...mine is just an approximation to give you a sense of how investing in the CEDARS provides you more return and shows that we're...you know, we're doubling what you're getting in the interest bearing account and even better with the 65 basis points. The Board instructed, the next page, to continue this process through the end of the year. So, this sheet shows what the investments will look like approximately at December the 31st. At that point, we will have \$11,760,000 invested in the CEDARS program. Depending on the dollars that come and go, we'll have approximately \$14,000,000 invested in the interest account. So, approximately...you can see that our interest...estimated income earned will increase in this

next quarter and you'll start to see the benefits significantly from the CEDARS investments and have approximately \$23,000 of income for the quarter. Once...let's go to the third page. That summarizes, again, just estimated income based on...for the year based on what we have done and what we intend to do through your instruction through 12/31. So, we will have earned approximately \$74,000 in interest. Again, that is an approximate number. But once we arrive at January, we will start having the 6 month CDs start to peel off and, again, we'll be back in a higher money market or interest bearing account some. So, we will not...unless you ask us to be present, we will not be here again until January and we've been purchasing these CEDARS at the beginning of each month. So, if the Board would like to make a comment today and talk about instructing us for January 1 how to proceed, otherwise, we will just begin to watch the CEDARS monthly mature. Only \$980,000 will mature...will mature each month and not the 12 month CD. So, we have...we will be investing more until December the 31st and then we will be maturing, but once January gets here we will start to have half of each maturing.

LETON HARDING: If I could add, Mr. Chairman, I

mean, first of all, you know, we serve at the pleasure of the Board. So, if you want us back at every meeting, we'll be back at every meeting.

KAREN MCDONALD: Yes. Exactly.

LETON HARDING: Secondly, Karen and I were discussing, to give you an example...an idea, I mean, right now our bank has about \$71,000,000 in Fed funds, which basically what that means is it's in our own overnight money which we're earning 20 basis points on. But, again, we view and value the long term relationship of the Board and this account with not only the bank, but also the trust division. What I shared with Karen is if it's the pleasure of the Board to continue, you know, this process at these interest rates, we will be happy to do so for the Board and for the fund. Again, that's purely your decision. You know, I think on the next page Karen actually has the latest Treasury rates and, Karen, I think you even have the two year Treasury rate there. You might want to share that with the Board as well. So---.

KAREN MCDONALD: Because of the anticipation of more Federal Reserve qualitative easing which will require purchasing more long term Treasurers, we don't anticipate rates to be going up. But at today's date,

the 2 year Treasury is earning 35 basis points. This is not written on your page. The two year is earning 35 basis points compared to our 25 basis points that we're earning in a liquid account. The 5 year Treasury is earning 1.1% and the 10 year Treasury is earning 2.51%. When I was speaking with our money manager this morning, he said a Johnson and Johnson 10 year bond is yielding less than a dividend provided by Johnson and Johnson stock. So, that's the state that we're in at the moment. I've even read that the 10 year Treasury depending on the quality of easing that the Federal Reserve does that the 10 year may move as low as 2%. So, we are looking at what I'm reading at least into 2012 very, very conservative interest rates. So, I think the Board can consider...put that in your hat as you make decisions going forward for 2011.

MARY QUILLEN: Mr. Chairman, I have just---.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---one question. At the beginning of January when we're looking at these first investments in the CEDARS, do you recommend that we continue the same process of half of them for 6 months and half for 12 months if the market stays what it is?

KAREN MCDONALD: Well, I think my question back

to you would be do you anticipate any certain level of distributions where we're keeping about 14,000,000 liquid. That will increase as these mature. Is 14,000,000 enough liquidity and if it is, then yes we could easily do half of the 980 at 1 year and the other at 6 months at the same rates that we've been offering.

MARY QUILLEN: Well, of course, one of the things that we continue to really work toward is, you know, increasing the distribution...increasing it.

KAREN MCDONALD: Right.

MARY QUILLEN: So, that's really, you know, a hard call of what---.

LETON HARDING: But I do think, Ms. Quillen, that in terms of...you know, basically you have what about a million dollars at 6 months. Every month you're going to have a million dollars. So, when you factor in the amount that you might have in the completely liquid account. Secondly, the fact that...let's say that you were to continue this process, you would have maybe right around a million dollars a months coming due and then also the contributions to the plan, which, you know, can come in and out as well. So, it's...it's...if you stay a shorter term maybe...you know, like I said, 1 year, you're not really going out and taking an extreme

amount of risk. It's all FDIC insured. We understand that, you know, it's very important to get the best yield you can. That's probably the reason we try to document very much for the Board what currently in the market place versus, you know, what we're offering. You know, our feeling would be or our hope would be over time, you know, th rates would increase and then we get, you know...the Trust Department they increase yield. The bad news to the bank would be if we wanted to keep your money we would have to bid it up. But that's fine. We do that all the time with all of our clients and customers. So, it's...there's not necessarily a right or wrong answer here. It's just reaching that equilibrium point, that comfort level that the Board would have as far as we're getting the most yield we can without sacrificing any kind of liquidity needs to make distributions.

MARY QUILLEN: Right. Well, that's exactly what, you know, our thoughts are too and what are concerns are. We want to be sure that we do, you know, have the funds available if, you know, we are successful in getting these distributions up because it has increased over the last year considerably. And, of course, you all have noticed that in your distributions.

So, you know, we...that's our goal, you know, consistently is to try and increase those distributions, but at the same time we want to try and earn the maximum amount of interest that we can and still, you know---.

DEBBIE DAVIS: And plus you would see an increase in the amount of dollars that would be maturing come July with the 6 month CD---.

MARY QUILLEN: Right.

DEBBIE DAVIS: ---purchase.

LETON HARDING: And the 12 months. And, Ms. Quillen, if you want to leave your money with us at one-quarter percent instead of half percent, I'm not opposed to that.

KAREN MCDONALD: Well...and just looking at the average annual yield, when you look at the July to September, I did not right this number down for you. But the average annual yield on the 26,000,000 at the limited investments that we had at September the 30th, the yield is just slightly above the 25 basis points that we have in the interest bearing accounts. It's 2798. When you look at the full investment at December the 31st, we're up another 10 basis points because of the decisions that we've made and that's 3536 instead of the 25. So, that covers our fees right there, you know.



You've got...that's extra money to take back. So, if the Board feels like it can...that 14,000,000 or even 10,000,000 is enough liquidity month to month because each month there will be new money maturing.

MARY QUILLEN: Right.

KAREN MCDONALD: And we can stop it at any time, the new purchases. But it is to your advantage and to the beneficiaries advantage to remain invested.

MARY QUILLEN: Right. And these...the CEDARS certificates seem to be the safest and the most secure plus the interest is again double.

LETON HARDING: Well, Ms. Quillen, let me...the CEDARS certificate rates, of course, are set by the bank as CD rates or savings rates are set by any...by any bank. The Treasury rates are, you know, basically set by the market. So, again, it's...you know, we've made a conscious decision with the great majority of all the public entities that we work with, the counties, cities and the Virginia Gas and Oil Board to sort of get to a point where we say, look, we're going to keep rates maybe somewhat above market. But if we can't make money at those rates, then that's...you know, that's our issue.

MARY QUILLEN: Right. Right.

DONNIE RATLIFF: Mr. Chairman.

BUTCH LAMBERT: Mr. Ratliff.

DONNIE RATLIFF: The largest here that we've had disbursement is about 2.4 million?

DAVID ASBURY: 1.65.

DONNIE RATLIFF: So, if we tripled that, we would still be under 5. So, you know, the game plan that has been presented is certainly sound in my mind. I mean, we're...we're...we're stakeholders in trying to protect the public's mind and to protect the correlative rights. I think it's prudent to keep investing at the rate that we are.

KAREN MCDONALD: So, Mr. Ratliff, would you suggest that we do anymore than the maturing 980,000 each month? We are initially doing twice the 980,000 at a 6 month and a 12 month. Are you suggesting that we might be a little more aggressive?

DONNIE RATLIFF: I think so. Yeah.

KAREN MCDONALD: At least for...for a 3 month period, maybe the first quarter of 2011---?

DEBBIE DAVIS: Continue what we're doing.

KAREN MCDONALD: ---continue what we're doing with a 6 month and a 12 month of 980---?

LETON HARDING: Or the possibility also...I

mean, again, as Karen said, if the Board would recommend that, well, we're comfortable with this process in addition...Karen, I think in terms of what we're doing currently that you could modify that upwards instead of doing it...what you're doing right now is basically 2,000,000 month, is that correct? Well, not---.

DEBBIE DAVIS: It's 1.96---.

LETON HARDING: Well, it's 1.96. So, I mean, theoretically, you could take it on up to 3,000,000. You could do a million and a half in different categories or you could do 4,000,000. But...or...like I said, it's...it is FDIC insured. You are basically, at a minimum, doubling your rate with the 6 month certificates. I think the key question is the Board establishing a floor at which you feel that we're very comfortable with this number relative to our disbursements. Then as that money starts coming due and we come to you and we present the current rate environment and what other options there are, you know, in the future that may not include CEDARS. It might be more Treasurers or other kind of kind of government agency bonds that have a great yield. I can tell you...I mean, at some point, you know, if that occurs that's okay with us because I'm only making 20 basis

points and (inaudible) 50 basis points.

MARY QUILLEN: Treasury bills just make me a little nervous.

DONNIE RATLIFF: You don't trust Washington.

(Laughs.)

LETON HARDING: Well, I just use that as an example, Ms. Quillen.

MARY QUILLEN: Right. Right. Yeah. And this---.

KAREN MCDONALD: And in this environment there is considered a bubble in the price of Treasuries.

MARY QUILLEN: Exactly. And this...I just feel like this is secured---.

LETON HARDING: So, to summarize---.

KAREN MCDONALD: This is...everyone wins.

MARY QUILLEN: Exactly. Right.

LETON HARDING: I think to summarize from our prospective, we're currently following the Board's directions and investing 1.96 million. Half of that goes into a 6 month certificate at a half percent and the other half goes into a 12 month certificate at a half percent.

DEBBIE DAVIS: 65.

LETON HARDING: 65, I'm sorry. So, 15 basis

points more. So, again, with the Board's agreement, we would simply continue. Secondly, any moneys that are coming due simply redeploy that back into those same certificates at the same rate, if it's the pleasure of the Board. The third component, as Mr. Ratliff has raised, is in addition to that, in other words, keep doing it and then when the money comes due just redeploy it back in the same investments is that you may want to increase the amounts that you have from...I'm going to use around about 2,000,000 to any number above that 3,000,000 or 4,000,000 is your pleasure. So, basically the strategy that we're doing right now is we're still deploying new money, but come the first of the year we'll have money start coming due and we have to renew that if that's the pleasure of the Board.

MARY QUILLEN: Well, based on the information from Mr. Asbury on what our average has been, I tend to agree with Mr. Ratliff that, you know, we may want to increase that.

BILL HARRIS: Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: Even if we doubled what we're now putting in CEDARS that...I'm looking at the...I guess, the first sheet that says 5.8 million.

KAREN MCDONALD: The September...the July through---.

BILL HARRIS: I guess, I'm looking at the...yeah---.

LETON HARDING: July 1 through September. Uh-huh.

BILL HARRIS: Through September, yeah. If we...yes, the heading there. If we even doubled that, considering how safe this appears to be, I don't know what the rest of the Board feels, but that...you know, we would take money out of the one that's at the 25 basis points and that would move into a 50 or a 65 basis points.

DEBBIE DAVIS: Right.

LETON HARDING: Yes, sir.

BILL HARRIS: Now, I don't know. I'm not a money manager. But it seems to me that that would still leave us with enough money that's liquid that we would be able to make disbursements.

LETON HARDING: And, Mr. Harris, if you would look at the next page, I think what Karen has prepared for the Board and for staff is if we continue, again, to pursue the directive to this point and continue that through the end of the year, we will have invested right

at 12,000,000 and that will take you to 14,000,000, but then like you said the issue becomes, okay, come January the 1st you have that 980,000 that comes due and we would simply renew that at the current rates. Then as you've described, Mr. Harris, you've got this...you would be left with roughly 14 and a quarter million dollars. That's maybe an excess amount and you make a determination, do we want to put another 4,000,000 or 6,000,000 over time into the certificate of deposits. So...or a greater number or a lessor number at the pleasure of the Board.

KAREN MCDONALD: And we do not have to wait until January 1.

LETON HARDING: No.

KAREN MCDONALD: We have made a purchase for the first week of October. We can purchase them weekly. SO, we could increase the investment at the Board's instruction for the remainder of October and November and December if you want to take a little more aggressive action.

LETON HARDING: I think that the structure that Karen has presented to you is an historical structure interns of buying bonds. It's what's called laddering our certificate of deposits so that you don't get

yourself stuck, you know, when rates are dropping and miss that opportunity. We don't anticipate rates going down. Well, these are our rates and we'll guarantee them. We don't anticipate rates going up. So, from a traditional kind of laddering standpoint, you know, there's no real advantage in my mind, I guess, at holding it outside the fact that if, you know, something happens tomorrow unbeknownst to any of us, you know, that drives rates up, some kind of catastrophe or other activity, it could drive rates up and you would say, oh, my gosh if we would have just waited we could have earned a little bit more. We don't see that really happening in the market. So, you are giving up yield right now by continuing to gradually put into the market understand that. There is value to that in case rates did move up though, you wouldn't be kicking yourself and saying, oh, if we had just waited, we could have earned a little bit more money. So, as Karen said, this is flexible...this is just a schedule that we've done at this point in time. It's not in concrete. We can do anything that the Board directs us to do.

BRUCE PRATHER: Mr. Chairman, I have a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: This is all predicated on the



basis that the income coming in from the producers is essentially going to be the same every month, isn't it?

LETON HARDING: No, sir. From our prospective, you know, you have at this point in time, roughly \$26,000,000---.

BRUCE PRATHER: Right.

LETON HARDING: ---under management. You will direct us to make distributions and those distributions, I guess, are regardless of whatever comes in. All we're trying to do at this point is to raise \$26,000,000 or \$28,000,000 or \$13,000,000 to try to achieve the best yield we can while maintaining the needed liquidity that the Board would like to have to make distributions to your beneficiaries.

DEBBIE DAVIS: In Karen's totals, she hasn't taken into consideration new moneys coming in. It's at basically what we are right at to date.

BRUCE PRATHER: Then all you're working with is what already is in the account?

DEBBIE DAVIS: What is already there.

BRUCE PRATHER: Okay. Okay.

DEBBIE DAVIS: There's not taken into consideration the new moneys coming in.

BRUCE PRATHER: Well, what I was really thinking

about would be in the event that there was a big drop on a monthly basis for 6 months of income coming in---.

DEBBIE DAVIS: Right. And see we're not taking that into---.

BRUCE PRATHER: ---there's no way I would want to---.

MARY QUILLEN: It would not effect this. This is what's already on hand.

LETON HARDING: No, sir. And---.

DEBBIE DAVIS: It's what's there today.

LETON HARDING: Yes, sir. And, Mr. Prather,---.

BRUCE PRATHER: Oh, okay.

LETON HARDING: ---the point you make also is that each month currently based upon the current investment structure, you have a \$1,000,000 that's coming due effective January the 1st. So, even if you had a drop in receipts and you increased your distributions and all of a sudden, you know, you gave out whatever the quality was, the millions of dollars that were in the liquid account, you've got a \$1,000,000 every month also to work with.

BRUCE PRATHER: Well, what I would really like to know in the event there was a drastic drop of the amount of money coming in, the Board would sure want to

know about it.

LETON HARDING: Well, I don't know, Mr. Prather, the ability---.

DEBBIE DAVIS: Well---.

LETON HARDING: ---of the Board to borrow money, but if you needed to distribute \$26,000,000 in 30 days, I'd be happy to make you a loan and secure it with these certificates of deposits.

DEBBIE DAVIS: Well, you all do receive my monthly spreadsheet that shows what moneys is coming in monthly.

BRUCE PRATHER: Right.

MARY QUILLEN: Uh-huh.

BRUCE PRATHER: Right. All I'm saying if we get more aggressive, I want to know if---.

LETON HARDING: Yes, sir.

DEBBIE DAVIS: Right.

BRUCE PRATHER: ---the income drops---.

BILL HARRIS: We're covered still.

DEBBIE DAVIS: Well, the income will remain the same because we've promised you those rates.

BRUCE PRATHER: Right.

DEBBIE DAVIS: I understand what the producers what they're giving us.

BRUCE PRATHER: Right.

DEBBIE DAVIS: So, you'll see that each month as to what moneys I've received.

BRUCE PRATHER: All right. That's good.

BUTCH LAMBERT: And if the Board is okay with, what I would like to do is to carry this over for one month and let us...let the Board members have a chance to think about the options being presented and we can bring it back for a vote.

DEBBIE DAVIS: Okay.

BUTCH LAMBERT: Okay.

LETON HARDING: And, Mr. Chairman, if I may, what I would say to you is we would make a pledge here today to the Board and staff that the rates that Karen has shown you it would continue through March the 31st, 2011. At that point, you know, we can come back and based on market conditions make a presentation to you if we felt like we needed to make any changes to the rates.

BUTCH LAMBERT: So, I guess, to continue on until we carry it over we're where we are?

LETON HARDING: Yes, sir.

BUTCH LAMBERT: Okay. Okay.

KAREN MCDONALD: Yes.

DEBBIE DAVIS: Would you all like for us to come

back next month or---?

BUTCH LAMBERT: I think that...yes, absolutely.

DEBBIE DAVIS: Okay. That's fine. We'll put that on our calendar.

BUTCH LAMBERT: If that's possibly, we would appreciate it.

DEBBIE DAVIS: Okay.

BUTCH LAMBERT: Thank you for the presentation. It was very helpful. It's always a pleasure to have you folks.

KAREN MCDONALD: Thank you.

BUTCH LAMBERT: Okay, ladies and gentlemen, at this time, we're going to take a 10 minute break and we'll resume at 20 after.

(Break.)

BUTCH LAMBERT: Ladies and gentlemen, it's 25 after. We went a few minutes over. So, it's time to get started back. We've had a request for one more public comment that she assured us would take no more than 5 minutes and we have her on a clock. So, Ms. Guilliam, and you are on the clock and Mr. Asbury will forcibly remove you if it takes longer than 5 minutes.

MARTHA GUILLIAM: I can handle the stress. Martha Guilliam, Ellen, Virginia, heir to the Linkous

Horn Estate. I am very unhappy. I know that the Board's powers are limited. I have to respect that. But with the business on the reporting from the bank, they come in here and tell us these little things. I've heard a whole lot of things this morning that I don't agree with. I'm sure that we all have at some time or another been members of a credit union. I know how my credit union works. We even have like every six months or so or at lease once a year a place where we can go in and discuss things with them because the credit union is made up of money from the members. We own...you know, the money still belongs to us. One of the things that's making me very, very unhappy and it has for a while...I think I've spoken with Mr. Asbury and any politician that's asking for my vote that's the first thing we go to. Of course, I won't call his name, but your Congressman in this area has told me that his hands are tied. He can't do anything about. But I know for a fact that he voted for these operators to come in here and drill the wells. So, I don't think his hands was very tied then. So, my best hope is that he will be replaced because the next one that comes in he has promised at least to look at it. I do feel like, we the people, this money does not belong to the Board...well,

maybe some members. But as a whole, it does not belong to the Board. It does not belong to Mr. Asbury and Ms. Davis and it does not belong to Consol or CNX or the others. These are the two that I deal with. I don't know about the others or the government. But I think that we, the people, who the money, this money belongs to us, we should have some input in where it...what bank it's put in and how it's invested and how it's distributed out and when there are checks written for people that sign off and agree to give them half so that they can have the other half of what already belongs to them, but they've got to pay 50% interest to collect their money. They wish we need to have...and there have been members of our own family that have gotten checks. We should have a statement from that to see when the accounts are going down or going up. I have money SunTrust Bank in Roanoke and they send me a statement every single month. There's not a month that goes by. Plus they have a hot...24 hour hot hotline that I can call and get any information on an account that I want. This is one thing that something really, really needs to be done about. We need to have some say in this money. That is one of the things that I am hollering the loudest about. I've been coming here for 14 years.

Since these escrow accounts have been set up, I have never had any input. When they were here this morning, I'm not blaming the Board because I know that you can't do but so much, but we should have had a time that every land owner in the building should have had a chance to question. I have several questions that I would like to ask them. I came here from Salem. I don't...I cannot drive down here every day. I can't take a day and go to the bank in Lebanon. Although, I respect...I'm more happy that's it there then where it was before. But if I have a question, I feel like I should be allowed to ask it. I feel like I deserve an answer. And one more thing, I do wish the gentleman was here that was here was last week. I grew up on this property in Buchanan County, every member of our family. We've had like 24 members involved one way or another. Everyone of us have lived on that property. As we speak, we have 6 generations in our family that we can go back that we personally know like 8 generations who were old when we got here. But they grew up there. If you go to the Grundy Courthouse and see my Grandpa Will Stilwell, who is my great, great grandfather by Linkous Horn. It was his grandfather. When he sold this property or sold the coal rights to this property reserving everything else



for himself, this water was fine. We know that from 1883. In the last 20 years, since 1990, the water has been...it's undrinkable. You know, you either have to get on the city water, which is not even available to everybody at this time. Yeah, it does come out of the specked. I'll be glad to take you places even now where it comes out and it looks like iron rust and all of that stuff. These things did not happen before the gas operator...before the coal operators come on because it has been a lot of damage since the '40s. But the damage that the coal operators didn't do, the gas...the people that drill the gas wells have finished it off.

BUTCH LAMBERT: Ms. Guilliam, thank you.

MARTHA GUILLIAM: Thank you, Mr. Chairman, very much.

BUTCH LAMBERT: May I remind you that this Board afforded you this opportunity this time, but from this point forward you will need to be here for the public comment period?

MARTHA GUILLIAM: Yes, sir. I was in a traffic jam.

BUTCH LAMBERT: Okay.

MARTHA GUILLIAM: I'm very sorry.

BUTCH LAMBERT: Thank you.

MARTHA GUILLIAM: In Christiansburg it was rush hour.

BUTCH LAMBERT: The next item on the docket is item number three. A petition from EQT Production Company requesting disbursement of funds and authorization of direct payment of royalties from coalbed methane unit gas unit VC-536190. This is docket number VGOB-06-1114-1761-01. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Production.

(Rita Barrett is duly sworn.)

BUTCH LAMBERT: You may proceed.

RITA BARRETT

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, we're here today as the operator of well number VC-536190, is that correct?

A. That's correct.

Q. And we're here to ask that some escrowed funds be disbursed in regards to the account for Tract 1

within this unit?

A. Yes.

Q. And has everybody been notified as required by statute?

A. They have.

Q. And are we disbursing all of these funds in escrow from Tract 1?

A. No, we're not. It's a portion of all of the funds...it's a portion of the funds in Tract 1.

Q. Okay. And does the Board have a copy of a spreadsheet that we've prepared?

A. They do.

Q. Okay. And do we...would we direct their attention to the last column end from the right...end of the right side?

A. Yes.

Q. The owner's percentage in escrow?

A. Correct.

Q. Okay. And is that the column that they should focus on---

A. Yes.

Q. ---for purposes of disbursement?

A. That's correct.

Q. And have all the owners represented in

that spreadsheet signed a split agreement for a 75/25 split?

A. They have.

Q. And do your numbers reconcile with the banks?

A. They do.

Q. And would you also ask that if this order of disbursement or request for disbursement is approved that going forward the operator be directed to pay the royalties directly to the parties listed in the spreadsheet?

A. Yes.

JIM KAISER: Nothing further at this time, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the petition be approved as submitted.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

DONNIE RATLIFF: Second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: Calling item number four on the docket. A petition from CNX Gas Company, LLC requesting disbursement of funds and authorization of direct payment for all royalties on coalbed methane unit...gas unit AA-8. This is docket number VGOB-90-1010-0032-07. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

(Anita Duty is duly sworn.)

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. State your name for us, Anita.

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. What's your title?

A. Pooling supervisor.

Q. With regard to this disbursement application today, did you participate in preparing the petition and getting the notice out and preparing the exhibits?

A. Yes.

Q. And this application pertains to unit AA-8, correct?

A. Yes.

Q. And if the Board approves the disbursement, there will still be an escrow requirement, is that correct?

A. That's correct.

Q. Okay. Because only a portion of the moneys on hand are subjected to this disbursement request?

A. Yes.

Q. What tract are we talking about?

A. 1B.

Q. Okay. And is the request for disbursement based upon an agreement?

A. Yes.

Q. Have you seen that agreement?

A. I have.

Q. And what does it provide in terms of the division?

A. 50/50.

Q. Okay. And have you prepared an escrow calculation reflecting that 50/50 agreement?

A. Yes.

Q. It should be the last page of what the Board has, I think.

A. It is.

Q. Okay. First of all, did you make a comparison between the operators payment records and the bank's deposit records?

A. Yes.

Q. And when you made that comparison, did you do it as of a particular date?

A. July the 31st, 2010.

Q. Okay. And having made that comparison,

what did you learn?

A. They were in balance.

Q. Okay. The coal parties to the agreement are whom?

A. Harrison-Wyatt.

Q. And the oil and gas parties to the agreement are who?

A. Alice Elliott, John Jackson and Wanda Arms.

Q. Okay. And the total balance in escrow on July the 31st, 2010 was what amount?

A. \$15,403.05.

Q. Okay. And have you set forth in owner's percentage of escrow the percentages that the escrow agent should use at the time the disbursement is made?

A. Yes.

Q. And for Harrison-Wyatt what percentage should the escrow agent use?

A. 9.7429%.

Q. Okay. And for Alice Mae Elliott and John E. Jackson, what percentage should the agent use?

A. 4.0595 each.

Q. Okay. And then with regard to Wanda Arms?



A. 1.6238%.

Q. And have you reported the wells contributing to this escrow account?

A. Yes. AA-8.

Q. Okay. And have...are you also asking the Board that with regard to the acreage and percentages that we're talking about in Tract 1B pertaining to this particular disbursement that the operator be allowed to be four people, one company and three individuals, directly in the future?

A. Yes.

Q. Have you provided the Board with a revised Exhibit E that would apply after the requested disbursements occur?

A. I have.

Q. And have you also provided the Board with a Revised Exhibit EE?

A. Yes.

MARK SWARTZ: I think that's all I have, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: Thank you, Mr. Swartz. It's approved. One abstention, Mrs. Dye. Calling item number five, a petition from CNX Gas Company, LLC requesting disbursement of funds and authorization of direct payment of royalties for coalbed methane gas unit BB-8, docket number VGOB-90-1010-0033-07. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name for us again, Anita.

A. Anita Duty.

Q. What's your job title?

A. Pooling supervisor.

Q. Were you in charge of and did you participate in preparing this miscellaneous petition and the related exhibits?

A. Yes.

Q. Did you actually make a comparison of the operator's payment records and the bank's deposit records?

A. I did.

Q. And did you prepare a tract by tract escrow calculation in that regard?

A. Yes.

Q. And is that, again, the last page of this exhibit?

A. Yes.

Q. We talked about a written agreement in

the prior application and it looks like we have the same people that we just spoke about earlier?

A. Yes.

Q. And they have a written agreement that would also pertain to this unit BB-8, is that correct?

A. That's correct.

Q. Is it also a 50/50 written agreement?

A. Yes.

Q. And, again, we're not seeking to close out the escrow account, we're seeking a disbursement of just a piece of it, right?

A. That's right.

Q. And what's the tract that we have in mind here?

A. 2C.

Q. And with regard to 2C, when you compared the deposit records of the operator to the bank's records into the escrow account for BB-8, what did you learn?

A. They were in balance.

Q. Okay. And did you do that comparison as of a date ascertain?

A. July the 31st, 2010.

Q. And what was the total amount in the

escrow account for BB-8 as of that point?

A. \$26,113.38.

Q. Okay. And have you given the Board the percentage that the escrow agent should use if this disbursement request is approved with regard to a portion of 2C?

A. Yes.

Q. And with regard to Harrison-Wyatt, what percent should the agent use?

A. 9.7429%.

Q. The same percent as the last time, right?

A. Yes.

Q. For Alice Mae Elliott and Johnny Jackson, what percent?

A. 4.0595%.

Q. For both of them?

A. For both.

Q. And then Wanda Arms?

A. 1.6238%.

Q. The wells contributing this escrow account are?

A. BB-8 and BB-8A.

Q. And after the disbursements are made,

are you requesting that the Board authorize the operator to pay these four folks directly?

A. Yes.

Q. Have you also provided with regard to this unit a revised Exhibit EE?

A. Yes.

Q. And a revised Exhibit E that would reflect the status after these disbursements are made?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

DONNIE RATLIFF: Mr. Chairman.

BUTCH LAMBERT: Mr. Ratliff.

DONNIE RATLIFF: This number matches with what the balance is in the bank. When that balance...do you ever find situations when they don't balance and you have to go back and reconcile?

ANITA DUTY: Where deposits aren't put in...a lot of these units that we've done, we've reconciled them and we've done these over and over and over again. So, it's mostly the newer deposits that we check. So, we have in the past found that there was...there have been checks in the wrong place.

MARK SWARTZ: Occasionally, we've been before

the Board to move money from one escrow account to another because that has happened. So, yeah, occasionally it happens.

DONNIE RATLIFF: Do you know how that happens? Is it the deposit is wrong in the bank or is it the bank's records are wrong or is it your records?

ANITA DUTY: Probably the majority of the time it's posted to the wrong account or even on our side, maybe the VGOB number is incorrect on the check or something...or something...it's different. It just depends.

DONNIE RATLIFF: That's all, Mr. Chairman.

BUTCH LAMBERT: Thank you, Mr. Ratliff. Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by

saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved. Calling docket item number six, a petition from CNX Gas Company, LLC for requesting disbursement of funds and authorization of direct payment of royalties from coalbed methane unit...gas unit AY-114, docket number VGOB-01-0821-0916-01. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you need to state your name



again.

A. Anita Duty.

Q. Your job title?

A. Pooling supervisor.

Q. Were you in charge of an did you participate in the preparation of this petition and the related exhibits?

A. Yes.

Q. We're talking about what unit?

A. AY-114.

Q. And we're talking about what tract?

A. 4...a portion of 4.

Q. Okay. So, th escrow account would need to be maintained even if this disbursement occurs?

A. Yes.

Q. Okay. Is the basis...the basis for the disbursement request, a written agreement or is it something else?

A. We were unable to locate Mr. Dye at one point and---.

Q. Okay.

A. ---now we've located him.

Q. Okay. So, we escrowed because of an unknown or an unlocateable and we've got that person and

the money can come out and that's the reason?

A. Yes.

Q. Okay. It's not a conflict situation?

A. Right. And at the same time, we had money there for Bostic Coal Company that could be paid that we realized when we were looking at the account.

Q. Okay. That was also not really in conflict?

A. Right.

Q. Okay. And did you compare the bank records and your deposit records with regard to this unit as well?

A. I did.

Q. As of 7/31/2010?

A. Yes.

Q. And were they in agreement?

A. They were.

Q. And what was the balance in the escrow account for the whole unit AY-114 as of that date?

A. \$68,012.40.

Q. Okay. And, obviously, we can see here that given the amount that you're asking to be disbursed it's roughly a third of that?

A. Yes.

Q. Okay. What percentage should the Board's escrow agent use to make the disbursement from this escrow account to H. C. Bostic Coal?

A. 24.3888%.

Q. Okay. And the Bernie Darien Dye?

A. 8.5876%.

Q. Okay. And are you requesting that the escrow agent use those percentages at the time the disbursement is made to calculate the dollars due?

A. Yes.

Q. And are you also requesting that the Board allow the operator to pay these two folks directly in the future?

A. Yes.

Q. The well or wells contributing to the escrow account are?

A. AY-114.

Q. I think that's all I have, Mr. Chairman. Oh, and also, have you given us a revised Exhibit E to reflect what the situation...the escrow situation would be after you pay these two folks?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

BILL HARRIS: Mr. Chairman.

MARY QUILLEN: Go ahead.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: Could you just address these...the Pocahontas seam and these percentages and the notation that you have there?

ANITA DUTY: The way that we calculate the ownership of the coal is to look at the completion report and what was stimulated and take the total...I guess, the total thickness of the coal that was stimulated and then that particular piece of Pocahontas and just do an average.

BILL HARRIS: And that's because of the different---?

ANITA DUTY: A percentage.

BILL HARRIS: Oh. Yes, okay. And that's because of the different ownership of the oil and gas in the Pocahontas seam, is that---?

ANITA DUTY: Well, he owns his entire one-fifth interest in oil and gas. But on the coal side, he only owns the Pocahontas seams. He sold all of his other interest in the coal.

BILL HARRIS: So, the 8.5876 is due to his ownership there?

ANITA DUTY: Right at the top, there's a column that says percent of coal except Pocahontas and a percent of coal...or a percent of Pocahontas. Those two together come up to a 100%.

BILL HARRIS: To a 100%. Yeah, okay.

ANITA DUTY: So, out of that percentage he owns just 8% of that...his one-fifth of that percentage is his number.

BILL HARRIS: Thank you.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: That was my question. Thank you.

DAVID ASBURY: Mr. Chairman, I've got---.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: This is not a split agreement, correct?

ANITA DUTY: No, this was just an address unknown.

DAVID ASBURY: Just an address unknown. They...do they have any agreement with the coal operator?

ANITA DUTY: He owns that piece in fee.

DAVID ASBURY: In fee?

ANITA DUTY: Yes.

DAVID ASBURY: Okay. All right. Thank you.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by  
saying yes.

(All members signify by saying yes, but Katie  
Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank  
you, Mr. Swartz. It's approved. The next item is item  
seven. A petition from CNX Gas Company, LLC requesting  
disbursement of funds and authorization of direct  
payment of royalties from coalbed methane gas unit AX-  
114, docket number VGOB-01-0116-0859-01. All parties  
wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, state your name for us again, please.

A. Anita Duty.

Q. What's your title?

A. Pooling supervisor.

Q. For?

A. CNX Land Resources.

Q. Okay. And did you either prepare or supervise the preparation of the petition and related exhibits today?

A. Yes.

Q. Okay. What unit are we talking about in this application?

A. AX-114.

Q. And are we...what tracts are we talking about?

A. A portion of Tract 4.

Q. Okay. So, that would mean then that if it's a portion that the escrow account would survive these disbursements?

A. Yes.

Q. And we have the same reasons here that you talked about in the last application with regard to Mr. Dye and Bostic Coal Company, correct?

A. Yes.

Q. So, we have located him and discovered that we could pay Bostic directly. Have you revised Exhibit E a post disbursement escrow requirement?

A. Yes.

Q. Okay. Have you also given the Board a tract by tract escrow calculation through July the 31st, 2010?

A. I have.

Q. To do that, did you compare the operator's payment records with the bank's...the escrow agent's deposit records?

A. Yes.

Q. And when you did that, what did you learn?

A. They were in balance.



Q. Okay. What was...what is...was the total amount on deposit with regard to AX-114 on July the 31st?

A. \$16,254.84.

Q. And have you provided in your tract by tract escrow calculation a percentage that the escrow agent should use at the time the disbursement is made to calculate the dollars due Bostic Coal?

A. Yes.

Q. And what's that percentage?

A. 3.0827%.

Q. And then with regard to Mr. Dye, what's the percentage the escrow agent should use?

A. 1.38%.

Q. And going forward, are you asking the Board to allow the operator to pay these two folks directly with regard to these interests that are being disbursed?

A. Yes.

Q. And what well or wells contributed to this escrow account?

A. AX-114.

Q. And to anticipate...well, just to complete the record, you've got a coal excluding

Pocahontas and then you've got a Pocahontas seam percentage as well, correct?

A. Yes.

Q. Those numbers add up to a 100?

A. Yes.

Q. A 100% I should say?

A. Yes.

Q. Okay. And do you actually allocate the production from the well or well...or from the well based on coal thicknesses?

A. Yes.

Q. And the result are those percentages and then that backs into the numbers due or the percentages for Bostic and Dye, correct?

A. Yes, it is.

Q. Is Dye...just for example, is his interest in the coal solely a piece of the Pocahontas seam?

A. Yes.

MARK SWARTZ: Okay. I think that's all I have, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

KATIE DYE: Mr. Chairman, I have a question---.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: ---for Mr. Asbury. In looking at the plat in this application, it shows it to be an Oakwood Field, but only 58.7 acres. Is that a makeup unit?

DAVID ASBURY: I'm not sure, Mrs. Dye.

KATIE DYE: Well, typically, our Oakwood are 80s, right?

DAVID ASBURY: It could have been. The original plat was 58.7 acres in the order of April, 2001. It was also identified as an Oakwood Field.

ANITA DUTY: I believe it' a Middle Ridge Field unit. I think that's---.

SHARON PIGEON: Middle Ridge, did you say?

ANITA DUTY: Yes.

DAVID ASBURY: It's in Russell County. So, it will be Middle Ridge rather than Oakwood.

DONNIE RATLIFF: Good catch, Mrs. Dye.

DAVID ASBURY: Excellent catch.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve.

MARY QUILLEN: Second.

BUTCH LAMBERT: With corrected exhibit---?

DONNIE RATLIFF: With the correction, yes.

BUTCH LAMBERT: Okay.

MARK SWARTZ: I'm not sure we can correct the exhibit. We can give you an corrected exhibit, but we'd have to go back...this is what's on file. Do you want to amend the pooling order?

DAVID ASBURY: The...let me make double sure. The original order of April of 2001 identified it as New Garden District Middle Ridge I.

MARK SWARTZ: Well, so it was right in the original order?

DAVID ASBURY: The order...front order is Middle Ridge. The plat still is Oakwood.

ANITA DUTY: This is the same plat that appeared in that in that.

MARK SWARTZ: Right. What I'm saying is we had to go---.

DAVID ASBURY: You have to go back to the original order and modify it.

MARK SWARTZ: I'm not sure that...do you understand what I'm saying?

BUTCH LAMBERT: Yeah, I understand.

MARK SWARTZ: So, if you want to...if you want

to put in a provision when you draft the order that you modifying the original order to include the plat, we're good to go. But I just want to make sure just giving you a plat doesn't fix---.

BUTCH LAMBERT: Right.

MARK SWARTZ: Okay. So, go ahead and give them---.

DAVID ASBURY: We have to modify the original order, the supplemental, and then the disbursement. Is that---?

ANITA DUTY: Include it as part of the---.

MARK SWARTZ: Let's just do it as one order.

DAVID ASBURY: Yes. That's what I'm saying.

DIANE DAVIS: Do it under the disbursement.

BUTCH LAMBERT: Okay. All right.

MARK SWARTZ: So, she will get you the revised exhibit and then you can solve the problem.

DAVID ASBURY: Change it.

MARK SWARTZ: Okay.

BUTCH LAMBERT: Okay.

SHARON PIGEON: It should state that it is correcting the plat and not revising the plat because that's what we're doing.

DAVID ASBURY: Yes, ma'am.

BUTCH LAMBERT: Okay. So, go back---.

MARK SWARTZ: Well, you could even say it's a corrected legend, which would even be better.

SHARON PIGEON: We could even say that's even better.

BUTCH LAMBERT: Okay. So, we have a motion to approve with a corrected legend.

MARK SWARTZ: Right.

BUTCH LAMBERT: Do I have a second?

BILL HARRIS: Second. I think...I'm not sure if it was---.

BUTCH LAMBERT: It didn't have a second on that motion, I don't think. So, Mr. Harris...okay, so, I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. The next item on the docket is number eight. A petition from CNX Gas Company, LLC requesting disbursement of

funds and authorization and direct payment of royalties from coalbed methane gas unit AA-9, docket number VGOB-091-0430-0116-06. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, state your name for us.

A. Anita Duty.

Q. Your job title?

A. Pooling supervisor.

Q. For?

A. CNX Land Resources.

Q. Okay. Did you either supervise or prepare the miscellaneous petition and related exhibits for this unit?

A. Yes.

Q. Okay. And the unit that we're talking

about in this instance is AA-9, correct?

A. Yes.

Q. And we're requesting a disbursement of a portion of the escrow account so that account would survive?

A. Yes.

Q. And what two tracts are we talking about?

A. A portion of 2A and 2C.

Q. Okay. And this request for a disbursement is based on what?

A. Royalty split.

Q. Agreement, right?

A. Agreement, yes.

Q. Okay. Is it a written agreement?

A. It is.

Q. Have you seen it?

A. Yes.

Q. And what, in general, are its terms as they pertain to this request?

A. 50/50.

Q. Okay. Did you a comparison or make a comparison of the operator's payment...royalty payment records with the bank's or the collection of bank's



deposit records?

A. Yes.

Q. And when you made that comparison, did you do it as of July the 31st, 2010?

A. Yes.

Q. And were they in balance?

A. Yes.

Q. What was the total in the escrow account for this unit AY-113...I'm sorry.

A. AA-9.

Q. AA-9. We need to fix that tract by tract or have I gotten into the...never mind. What was the balance on July the 31st, 2010 in the escrow account for AA-9?

A. \$108,178.70.

Q. Okay. And then you've got...on your escrow calculation, you've got a section for Tract 2A and section for Tract 2C, is that correct?

A. Yes.

Q. Okay. With regard to 2A, have you provided the Board with the percentage that the escrow agent should use to make the disbursement to Harrison-Wyatt, LLC?

A. Yes.

Q. What is that?

A. It is 18.6245%.

Q. Okay. And with regard to Mr. Newberry and Mr. Miller, have you provided the Board with that percentage as well?

A. Yes. 6.2082% each.

Q. And for Teresa McGlothlin and Sherry Boyd, have you given the Board the percentages?

A. Yes. 3.1041% each.

Q. So, is it your request that the escrow agent be directed to use the percentages that you've just provided or just put into the record to make the disbursements to those folks at the time the disbursement is made?

A. Yes.

Q. And then with regard to Tract 2C, what would the percentage that the escrow agent should use be for Harrison-Wyatt?

A. 2.4825%.

Q. For Alice Mae Elliott and John E. Jackson?

A. 1.0353%.

Q. And for Wanda Arms?

A. 0.4141%.

Q. And, again, the escrow agent should use those percentages at the time the disbursement is made to calculate the dollars that should be paid out to those four folks?

A. Yes.

Q. And what well has contributed to this account?

A. AA-9.

Q. And on a going forward basis, are you asking that the Board authorize the operator to pay these people directly consistent with the terms of their escrow...consistent with the terms of their royalty agreement?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

Q. Have you provided the Board with an updated Exhibit E and updated EE that they would obtain in the event the disbursements are approved?

A. Yes.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: Calling item number nine, a petition from CNX Gas Company, LLC for disbursement of funds and authorization of direct payment of royalties from coalbed methane gas unit AY-113, docket number VGOB-10-0821-0915. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, what's your name?

A. Anita Duty.

Q. What's your title?

A. Pooling supervisor.

Q. Who do you work for?

A. CNX Land Resources.

Q. Did you either do the work to prepare this miscellaneous petition and related exhibits yourself or supervise their preparation?

A. Yes.

Q. This is a disbursement request for a disbursement out of the escrow account pertaining to AY-113, is that correct?

A. Yes.

Q. It's just a partial disbursement?

A. Yes.

Q. With regard to what tract?

A. 4.

Q. So, we're going to need to maintain the

escrow account after the disbursement?

A. Yes.

Q. The reason for the disbursement request, I think we've talked about it before, but just to complete this record?

A. Just due diligence efforts. We found Mr. Dye.

Q. And we determined that you could pay Bostic?

A. Yes.

Q. Okay. Did you do a comparison of the payment records and deposit records to determine whether or not they were in balance?

A. Yes.

Q. Were they?

A. Yes.

Q. And was this comparison made as of July the 31st, 2010?

A. Yes.

Q. And what was the total amount on deposit in...with regard to this unit at that time?

A. \$98,450.86.

Q. Okay. And have you provided the Board the percentages that it should direct the escrow agent

to use when it makes the disbursement from this account?

A. Yes.

Q. For Bostic Coal, what should it use?

A. 6.745%.

Q. And for Bernie Darien Dye?

A. 1.7498%.

Q. And the...and are you also asking does the Board authorize the operator to pay those people directly in accordance with those percentages?

A. Yes.

Q. In the future?

A. Yes.

Q. Okay. And you've done the same allocation here of the Pocahontas Seam as a portion of the total coal seam being produced?

A. Yes.

Q. And that's reported on your chart as well?

A. It is.

Q. And then the percentages for Bostic and Mr. Dye reflect that allocation as well?

A. Yes.

Q. They're derived from it?

A. Yes. Yes, it is.

Q. Do you know off the top of your head what well...it looks like it must be AY---?

A. It is AY-113.

Q. Okay. This is where the production dollars have come from?

A. Yes.

Q. Have you provided the Board with a revised Exhibit E and a revised...I guess, just a revised Exhibit E, correct?

A. Right. Yes.

Q. And does that reflect the status as of...after these payments have been made?

A. Yes.

MARK SWARTZ: Okay. That's all I have, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?



(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: Calling item number ten, a petition from CNX Gas Company, LLC for pooling of coalbed methane unit G-17, docket number VGOB-10-0817-2778. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty. As you may recall when we were here last month, we actually did all of the testimony for G-17 and I-17 and then realized that the cost allocations were wrong. Anita has updated those allocations and has new exhibits. So, really we're sort of her to complete the testimony on those. To just sort of move things along, I might suggest that you call the next one as well and we'll do the cost data at the same time to complete the record on

those two, if that makes sense.

BUTCH LAMBERT: It sure does. Thank you, Mr. Swartz. Also calling number eleven, a petition from CNX Gas Company, LLC for pooling of coalbed methane unit I-17, docket number VGOB-10-0817-2781.

MARK SWARTZ: Mark Swartz and Anita Duty. While Diane is passing that information out, both of these units pertain to the allocation of production from longwalls. The issue that we had before was the dollars that we were tracking did not track the longwall units that we were concerned about. So, Anita has got that corrected. Just to get us refocused, that was the issue here. If you'll notice in the...well, if you could look at Exhibit E or B-3, just to kind of refresh you as well. In addition to reporting, you know, the customary interest in unit for each person, we then also have interest in and then there are the longwall panels underground and those interests, obviously, are, you know, driven by the tract and the location of the longwall units. So, we're essentially providing the cost data so that if people want to participate in these longwall panel production, they will have the right dollars to do that.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you need to state your name for us again.

A. Anita Duty.

Q. Your title?

A. Pooling supervisor.

Q. And who do you work for?

A. CNX Land Resources.

Q. When we were here last, we didn't have quite the right dollars and cents figures, correct?

A. That's correct.

Q. Have you revisited that?

A. Yes.

Q. Okay. And have you provided a revised exhibit that shows 10/18/2010 for units G-17 and I-17?

A. Yes.

Q. And the first page of the exhibit... revised exhibit that you've provided is a summary, correct?

A. It is.

Q. And it's followed by three well cost details for three different wells, correct?

A. Yes, it is.

Q. With regard to G-17, have you done a cost allocation of the wells that serve the panels that are within G-17?

A. Yes.

Q. And when you do that, what is the share of unit G-17 in the total costs?

A. \$88,884.79.

Q. Okay. And that would be the dollar amount that the order should state is the total of the allocable costs to which the percentage should be applied to come up with a participation figure?

A. Yes.

Q. And the backup for the calculations which are shown on the summary sheet is the next three pages?

A. It is.

MARK SWARTZ: That's all I have with regard to G-17.

BUTCH LAMBERT: Questions from the Board?

KATIE DYE: Mr. Chairman.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: I'm kind of lost here. Could you or Mr. Asbury or somebody kind of explain what's going on, just for my own education? I'm not sure what I'm looking at.

BUTCH LAMBERT: Are you talking about the new exhibit?

KATIE DYE: No. I guess, the whole process.

SHARON PIGEON: Mark, you might just give her a little summary because she wasn't here the last time.

BUTCH LAMBERT: That's right.

SHARON PIGEON: It would be, you know, helpful.

KATIE DYE: I would appreciate that.

MARK SWARTZ: Okay. There are longwall panels under these units, which is sort of outlined in pink here. And when those areas within those panels go, we're producing from a panel and what we're doing is allocating interests to tracts within a unit as to the longwall productions. So, this...you can't see this very well. But right here is a boundary between units. We would literally calculate the amount of this longwall panel on a percentage basis that's in this unit and calculate the amount of the distance that's in this unit. We would make an allocation of production between the units. Then we would take the tract information for

the individual units and we would further allocate that production to the owners and the units and your orders all say that. I mean, the orders...this process was approved a long time ago. What Anita has done with the cost estimate is she has looked at the wells that contribute to the gob production. So, it would not be a frac well that's still producing. It would be where... you know, how is the gas getting from the gob longwall panel to the surface. And she has taken the costs of those wells and reported them on the cover sheet and to the extent they contribute production to...from longwall panels that actually are under units, they are then allocated on the same percentage basis that I've just spoken to to the given unit and when she does that allocation, just like you would allocate the revenue, when she does that allocation of the amount of the panels in this unit as opposed to this unit she comes up with a share of \$88,884.79 as a participation cost.

KATIE DYE: Right.

MARK SWARTZ: And you'll notice...this isn't a good example, but sometimes there are...you know, sometimes there are obviously wells...yes, sometimes there are obviously wells that are not within...you know, intercepting a panel that are not included in the

costs because they are a frac well.

KATIE DYE: So, these panels have been mined and the coal removed or I'm I confused here?

MARK SWARTZ: No, you're correct.

KATIE DYE: Okay.

MARK SWARTZ: And if you look at the...if you look at the percentages...go down to the very bottom of G-1, if you've got it in front of you, the first sheet, okay. What G-1 reports down at the bottom there is for...she has done the allocation of the three longwall panels that are in that G-17 unit and figured out what percentage of the panel is in the unit to apply for the number. So, what I was telling you, you know, we do a calculation of how much of this longwall...any given longwall panel is actually in a unit. Those percentages are reported there and we use those to calculate the distribution of the money as well...or the costs as well.

KATIE DYE: And those panels typically are what about 1250 wide?

MARK SWARTZ: Oh, no. They're...is this an inch equals 400.

ANITA DUTY: I don't think it's to scale.

DAVID ASBURY: 908.

MARK SWARTZ: They're much wider than that. I mean, they're---.

KATIE DYE: Well, I was thinking 1250 foot wide. Is that what they---?

DAVID ASBURY: Are you talking the width or the length?

KATIE DYE: The width. Then they run several thousand feet sometimes.

MARK SWARTZ: Well, there's...I mean, if this is an inch equals 400, you know, it's several 100 feet wide and, you know, 1000 feet long depending...I mean, they're different lengths. But, you know, it's a big---.

KATIE DYE: Well, in talking to husband that has been a miner, I've always heard him say that usually it's like about 1250 and then the panel could go as far as 7,000 feet or something like that.

DAVID ASBURY: Typically---.

MARK SWARTZ: A panel could certainly be that long. But, I mean...you know, without a scale, I don't know what the width of these are. I can't---.

ANITA DUTY: I have no idea. That's not to scale.

KATIE DYE: In just looking, they look like



they're pretty much the same from over here width wise.

MARK SWARTZ: Well...but, you know, to put it in prospective...I mean, the unit boundary would be from here to here and it's 1900 feet. So, there's no way each one of those panels is 1200 feet. I mean, it just ain't going to happen. It's several 100 feet is my best estimate.

KATIE DYE: No, when I'm saying 1200, I'm talking about the cross...across the end of them.

MARK SWARTZ: You're talking about this measurement?

KATIE DYE: Yeah.

MARK SWARTZ: And I'm saying it couldn't possibly be because the entire unit is like 1800 or 1900 feet across and so if each one was 1200 we would be a mile. It's not...you can't get there from here. They're not that wide.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Just from a little bit of knowledge, the actual coal block there that he's referring to is 980 feet in width typically.

KATIE DYE: Okay.

DAVID ASBURY: And that has been shortened with

the new blocks down to somewhere around 750 or 760. But, typically, the actual...the physical block from corner to corner is about 980 to a 1,000 feet.

KATIE DYE: Okay.

DAVID ASBURY: Unless...unless...that's the current Buchanan Mine. This may be a different set of---.

ANITA DUTY: This is VP1.

MARK SWARTZ: This is VP.

KATIE DYE: So, they could have been like wider in VP1 possibly?

DAVID ASBURY: Or shorter, yes.

KATIE DYE: Or shorter.

DAVID ASBURY: Yeah. We'd have to...is that map to scale, Mark?

MARK SWARTZ: No, it's...well, if it is, I don't know what the scale. But just given the size of these units, there's no way.

DAVID ASBURY: It could be much shorter.

KATIE DYE: Well, probably what I was basing... what I was saying on this is where David had worked, which was like 8 and 2. Just hearing him talking about it...you know, talking about the longwall panels and everything.

BUTCH LAMBERT: They vary greatly on the size given the mine plan, the root conditions and coal height.

MARK SWARTZ: Oh, they're going to vary. Absolutely.

BUTCH LAMBERT: Yeah, they're not...they're not any set limits on what those could be. Anything further, Mrs. Dye?

KATIE DYE: No, thank you very much.

MARK SWARTZ: You're welcome.

KATIE DYE: I appreciate that.

SHARON PIGEON: Did that help you out?

KATIE DYE: Yeah, it did.

SHARON PIGEON: Okay. Well, that's the goal here.

KATIE DYE: I need...I need to understand.

SHARON PIGEON: That's the goal here.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further,---?

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: ---Mr. Swartz?

MARK SWARTZ: No. I'm good.

DAVID ASBURY: These appear to be much shorter.  
There's only five interceptions here. So, it could be  
500 foot centers.

BUTCH LAMBERT: Okay, do I have a motion?

BILL HARRIS AND BRUCE PRATHER: Motion to  
approve.

MARY QUILLEN: Is this for both panels...I mean,  
for both items?

MARK SWARTZ: Just the first one.

BUTCH LAMBERT: Just the first one.

MARK SWARTZ: Just the first one.

BUTCH LAMBERT: Number ten. Item ten.

BRUCE PRATHER: The first one.

MARY QUILLEN: The first one. Second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by  
saying yes.

(All members signify by saying yes, but Katie  
Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Okay,

you may proceed with item eleven.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, turning to I-17, you've also given the Board an updated calculation with regard to that, correct?

A. Yes.

Q. And if go to sort of the bottom line on item 17, the first page, you've got the same percentages, which show the percentage of the panel within this I-17 unit, correct?

A. Yes.

Q. And they're substantially less than the percentages...actually, less than half of the percentages that were reflected on the other exhibit, correct?

A. They are.

Q. So, the participation costs here would be presumably less and indeed it is, correct?

A. Yes.

Q. And the allocatable costs for unit I-17, when you do the same sort of process that we were talking about with regard to G-17, results in a number of what?

A. \$39,430.36.

MARK SWARTZ: Okay. And that's all I would have with regard to this one.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention Mrs. Dye. Thank you, Mr. Swartz. It's approved.

MARK SWARTZ: Thank you. Now, I'd like to move that we skip GeoMet and Appalachian Energy and EQT and move directly to twenty-seven.

(Laughs.)

SHARON PIGEON: It sounds familiar.

MARK SWARTZ: But I'm assuming that motion would be denied.

BUTCH LAMBERT: We're calling number twelve on the docket. A petition from GeoMet Operating Company, Inc. for pooling of coalbed methane gas unit 46...416 VA F33, docket number VGOB-10-0921-2798. All parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, Tom Mullins with the Street Law Firm along with Pebbles Deel representing GeoMet.

BUTCH LAMBERT: Good morning.

DALLAS NESTLE: Good morning.

JUSTIN PHILLIPS: Justin Phillips representing Appalachian Energy.

TIM BLACKBURN: Tim Blackburn with GeoMet.

DALLAS NESTLE: Dallas Nestle with GeoMet.

(Justin Phillips, Tim Blackburn and Dallas Nestle are duly sworn.)

TOM MULLINS: Mr. Chairman,---.

BUTCH LAMBERT: You may proceed.

TOM MULLINS: ---this one is a little different.

BUTCH LAMBERT: Uh, oh.

TOM MULLINS: I apologize for always for always bringing different ones before the Board. This one had previously been pooled by Appalachian. They're...we've done a workout. We've done some agreements between the companies. I think Appalachian is going to voluntarily withdraw their pooling and we're going to pool this unit. I'll let Mr. Phillips speak to that.

JUSTIN PHILLIPS: That's correct, Mr. Chairman. A couple of days ago, I email a letter where Appalachian resigned. I have that original letter here today.

BUTCH LAMBERT: We have received a copy of that and I think it's in the record.

DAVID ASBURY: Yes.

BUTCH LAMBERT: Okay. If you would like to hand that to Mr. Asbury. I have seen that.

DAVID ASBURY: Thanks, Justin.



TOM MULLINS: That's probably the most different thing about this application, Mr. Chairman.

SHARON PIGEON: We'll see.

(Laughs.)

TOM MULLINS: That I know of right now. I'm subjected to being surprised.

JUSTIN PHILLIPS: Mr. Chairman, that's all that Appalachian has in this matter. So, if---.

BUTCH LAMBERT: Thank you, Mr. Phillips.

JUSTIN PHILLIPS: ---the Board is okay with that letter than---.

BUTCH LAMBERT: We are.

JUSTIN PHILLIPS: Okay. Thank you.

BUTCH LAMBERT: Thank you.

TOM MULLINS: First, I'd like to call Mr. Dallas Nestle.

DALLAS NESTLE

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your full name?

A. Dallas Nestle.

Q. By whom are you employed?

A. GeoMet Operating Company.

Q. And what do you do for GeoMet?

A. I'm the project manager.

Q. And what does the project manager do?

A. Manages the project.

(Laughs.)

A. Or tries to.

Q. Does that include the unit that's designated F-33 in the application before this Board?

A. It does.

Q. Are you familiar with that application?

A. I am.

Q. How many acres are in this unit?

A. 80.14.

Q. And is this an Oakwood Field unit?

A. Yes, it is.

Q. And what is the unit number?

A. The Virginia number is F33, Rogers well 416.

Q. Okay. Does GeoMet possess the drilling rights for this unit?

A. Yes.

Q. Are you aware of any folks that are

listed in Exhibit B-3 that need to be dismissed?

A. No.

Q. What is the percentage of coal ownership that GeoMet has under lease as we speak here today?

A. 51.07.

Q. And the gas ownership?

A. 58.433265.

Q. And to your knowledge, was notice sent as required by statute to those folks entitled to notice?

A. Yes.

TOM MULLINS: And we will submit post hearing the evidence of the certified mailings, Mr. Chairman.

Q. Is GeoMet authorized to do business in the Commonwealth of Virginia?

A. Yes.

Q. And does it have on file with the Board a blanket bond as required by statute?

A. Yes.

Q. What are the lease terms that GeoMet offers folks that lease with them?

A. \$20 per acre for a five year paid up lease with a one-eighth royalty.

Q. Based on your experience in the gas

industry in Southwest Virginia, is that reasonable lease terms?

A. Yes, it is.

Q. Okay. What is the percentage of the oil and gas estate that GeoMet is seeking to pool here today?

A. 41.566735%.

Q. And the coal estate?

A. 48.93%.

Q. To your knowledge, are there any unknown or unlocateable owners?

A. No.

Q. Okay. Are there any parties whose interests are in dispute?

A. No.

Q. And is it the request of GeoMet that the Board pool the unleased interest in this unit?

A. Yes, it is.

Q. To whom should correspondence be sent concerning communications with GeoMet about this unit?

A. Joseph Stevenson, land manager at GeoMet Operating Company, 5336 Stadium Trace Parkway, Birmingham, Alabama.

Q. Okay. And was an estimate of well costs

prepared for this unit?

A. Yes, it was.

Q. And are you familiar with that?

A. I am.

Q. Okay. Do you know what the total depth of the proposed well for this unit is to be?

A. 1,653 feet.

Q. Okay. What about the reserves...the estimated reserves?

A. 769,000,000 standard cubic feet.

Q. And the well completion costs?

A. \$418,987.

Q. And the dry hole costs?

A. \$186,501.

Q. And is there an exhibit to the application that identifies these costs?

A. Yes, there is.

Q. Okay. And do the costs include a charge for supervision of the well?

A. Yes, they do.

Q. And in your opinion, does the granting of this application...would the granting of this application promote conservation, protect the correlative rights and prevent waste?

A. Yes, it would.

TOM MULLINS: That's...I have another witness concerning some of the mine maps. But that's all I have of Mr. Nestle right now.

BUTCH LAMBERT: Any questions from the Board?

KATIE DYE: Mr. Chairman.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Just one for Mr. Asbury. Is your...does your plat have a signature?

DAVID ASBURY: It has got a seal. There's no signature at the bottom. It does have a seal.

SHARON PIGEON: We need a copy with the signature.

DAVID ASBURY: We don't...we do not have it in this file.

SHARON PIGEON: I said you need to get that.

DAVID ASBURY: Yes.

BUTCH LAMBERT: Can you provide that to us, Mr. Nestle?

TOM MULLINS: We sure can.

BUTCH LAMBERT: Okay. Thank you. Any further questions from the Board?

TOM MULLINS: Here's one.

BUTCH LAMBERT: Okay.

SHARON PIGEON: Good turnaround.

BUTCH LAMBERT: Good job.

TOM MULLINS: Should I give it to the Board or to Mr. Asbury?

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Thank you.

MARY QUILLEN: Mr. Chairman, I have---.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---a question regarding this letter that was in our packet from Pauline Brown Hagy. She states in the letter that she had signed a lease with Appalachian Energy and they...and she had...they had agreed to include the coalbed methane in that lease. The terms of...this is quoting, "The terms of our lease with Appalachian Energy are much more favorable than those offered by GeoMet." If I understand correctly, all of these leases that Appalachian had have been assigned over to GeoMet?

TOM MULLINS: No, that is not...we have not---.

BRUCE PRATHER: No.

MARY QUILLEN: No?

TOM MULLINS: We have not. Appalachian has not assigned us their leases. We're pooling those interests. Now, one of the...I'm certainly not a master

of title work. So, I don't represent myself to be. But as I understand the circumstance, and Mr. Phillips has stepped back up and he can explain shortcomings that I may have, Appalachian acquired their interest through some original leases taken by a company known as Edwards and Harden Petroleum Company.

MARY QUILLEN: Right. Uh-huh.

TOM MULLINS: Those original leases may or may not have had coalbed methane interests in them. So, what Appalachian did is they went out and they got some ratification documents. Those ratification documents aren't necessary...aren't recorded some of them in the Clerk's office. So, until really today, we hadn't seen some of those. I guess, one day this week. I've been out of town. We hadn't seen those documents. Ms. Hagy has been communicating with and we're in a dialogue with her, but we're pooling that interest is what we're doing today. That's what we're asking to be done today.

MARY QUILLEN: Also, as part of this, she says that a portion...a share..."The list of P. J. Brown Heirs has a mistake in the percentages assigned to different segments of the Heirship. The original six heirs had equal shares of one-sixth, but her grandfather had purchased an additional one forty-second or 2.38095%



share from Henry and Beatrice Brown. The record of the purchase was presented and admitted to record on July 31, 1925." It says, "This purchase make Eldridge Brown Company, LLP the largest stockholder of the P. J. Brown Heirs." Her question is, that additional one forty-second interest has not been credited to their Heirship. Has there been anything done on that? Were you aware of that?

TOM MULLINS: I can certainly address part of that and Mrs. Deel can...she's more familiar with the title than I am. So, she can probably address anything that I cannot answer. But, number one, this is one of the two most messiest titles that I am aware of in Buchanan County. Number two, in the title chain there were some issues concerning adoption and a prior litigation that...the person that GeoMet had rendered a title opinion came to a slightly different conclusion than Ms. Hagy did as to what her interests were. So, there's certainly...if she has a issue she can...she may need to have that addressed. But based upon on what our title folk...our title guys told us, the percentages that we have listed are based upon what he has been able to analyze from what's of record. If there's anything that I've---

MARY QUILLEN: Has there been dialogue with Ms. Hagy concerning this to resolve what her concerns are?

TOM MULLINS: Yeah. Joseph Stevenson with GeoMet out of Birmingham has certainly called and talked to her. I don't know if there's any communication...any written communication that has taken place, but he has certainly called her and talked to her on the telephone to let her know what GeoMet's position was and what our issues were. She's aware of that to my knowledge.

MARY QUILLEN: This letter was dated September the 9th. Have these conversations taken place after September the 9th?

TOM MULLINS: Yes.

MARY QUILLEN: So, that follows up---?

TOM MULLINS: We---.

MARY QUILLEN: ---this letter?

TOM MULLINS: It does. We got a copy of that letter and then we immediately turned around and started speaking...first we figured out...tried to figure out what she was asking of us and then we had a dialogue with her.

MARY QUILLEN: So, this---.

SHARON PIGEON: Has your office done the title work?

TOM MULLINS: No.

MARY QUILLEN: So, this...was Appalachian Energy aware of this?

JUSTIN PHILLIPS: Yes, Ms. Quillen. She...Ms. Hagy phoned me and she let me know that she had written a letter to the Board. I explained the history that we've had here, Appalachian and GeoMet on these...this application here and then a couple of more these units and told her that(inaudible) had planned to resign, which we did today. Appalachian Energy and its predecessors have been producing the gas from tract since the late 1980s. So, we've got a pretty good repoire with Ms. Hagy and some of the other heirs. Further, Mr. Mullins he's correct. This is a very messy title. But in light of the long term that we've produced the gas, we feel that a proportion that we pay her is correct. We don't...we don't get any phone calls saying you didn't show my interest correctly, but that's not to say that GeoMet's isn't correct. But I did tell Ms. Hagy that I would probably make an appearance today, if I was asked to, and she asked me to convey to the Board that she didn't want to keep anyone from drilling more wells and producing more of her gas. I just told her that the issues with the title the proportion

that...or the depiction of ownership for the Eldridge Brown Company would be a matter between GeoMet and her. As far as these ratifications that Mr. Mullins spoke of, we have...we do have a lot of the P. J. Brown Heirs listed by a ratification document for coalbed methane. And like I said, they're not recorded. We did provide those to GeoMet, the ones that we have but probably after they had submitted their application to Mr. Asbury's office. But GeoMet has been made aware and so have the P. J. Brown Heirs. So, they're aware of the leases with Appalachian Energy, GeoMet and the landowners.

TOM MULLINS: And one thing that we may, with the consent of Appalachian, we might would like to do is submit those ratification documents for an exhibit to the Board so you can have those in your file. You'll know which ones are which and the order can reflect that.

JUSTIN PHILLIPS: Appalachian would be accepted to do that. When the Board order is recorded or the supplemental that those ratifications be included so that all parties would be on notice of Appalachian's coalbed methane rights.

BUTCH LAMBERT: Okay. Thank you.

BRUCE PRATHER: I've got a question, Mr. Chairman. I assume that when you assign...Mr. Phillips, when you assign your rights to GeoMet that any price structure or anything that's in your lease then becomes an encumbrance for GeoMet and that they will honor that...part of that lease. Isn't that correct?

JUSTIN PHILLIPS: Mr. Prather, we're not assigning any of our rights. The way I understand it, if Appalachian Energy has a coalbed methane lease or a coalbed methane ratification, then in that case GeoMet actually would be pooling Appalachian Energy and not the property owner. But still, all terms of those of those agreements would have to be honored by GeoMet is my understanding.

BRUCE PRATHER: Yeah, that's what I'm talking about. You would be assigning any past leasing interest to---.

TOM MULLINS: No.

BRUCE PRATHER: No?

TOM MULLINS: No, there is no assignment. Appalachian...unless I'm mistaken on the facts, Appalachian is not assigning a single lease or a lease right to us. They're retaining their rights because their rights encompass more than this unit.

JUSTIN PHILLIPS: That's correct.

BRUCE PRATHER: But---.

TOM MULLINS: So, we're pooling them just like we're pooling anybody else. Just like we have pooled CNX and CNX has pooled us. We've pooled Appalachian and Appalachian has pooled us. It's the same scenario. The only...the only difference in this situation is Appalachian at one point in time had been appointed as an operator of this unit and had pooled our interest that we had in this unit and they did not assume any of our lease rights that we had when they did that. Now, it's the reverse of that. They are...they have withdrawn as operator of this unit. We're going to be the operator of this unit and we're seeking to pool their interest just like they had pooled our interests in the past.

BRUCE PRATHER: See, her letter here says that she doesn't think that she's going to get as much money out of GeoMet as she would...out of the ratification with---.

JUSTIN PHILLIPS: I have advised Ms. Hagy that she will be paid by the terms of her agreement with Appalachian Energy.

BRUCE PRATHER: Okay. Well, then you've...

that's part of the assignment then?

JUSTIN PHILLIPS: It's not an assignment.  
They're just going to be---.

TOM MULLINS: We've not assigned anything.  
There's no---.

BRUCE PRATHER: It's an agreement? It's something.

MARY QUILLEN: Will she or won't she be? That's the question.

TOM MULLINS: She has a lease with Appalachian.

MARY QUILLEN: Right.

JUSTIN PHILLIPS: Which will define the terms of what she gets paid on a royalty.

MARY QUILLEN: Right. And she will be paid what the terms were in that lease?

JUSTIN PHILLIPS: Yes.

BRUCE PRATHER: Yeah, that's what I've been trying to find out.

JUSTIN PHILLIPS: And she's been...she has been advised---.

TOM MULLINS: But we have no rights of Appalachian. They have not given us any and we won't get any.

BRUCE PRATHER: But he has assigned his interest

to you, so you---.

SHARON PIGEON: No, he hasn't.

TOM MULLINS: No, he has not.

TIM BLACKBURN: Mr. Prather, GeoMet in this case is actually pooling Appalachian Energy.

BRUCE PRATHER: Okay.

TIM BLACKBURN: Okay.

BRUCE PRATHER: All right.

SHARON PIGEON: Her contract is with this gentleman right here. It's still good. So, everything that she agreed to there, he's going to take care of. They're just going to become the operator of the unit. That's all we're doing. Is that right?

TOM MULLINS: That's correct.

MARY QUILLEN: But does Ms. Hagy understand that?

JUSTIN PHILLIPS: Yes, she does.

MARY QUILLEN: Okay.

SHARON PIGEON: Yeah.

MARY QUILLEN: In this letter it doesn't sound like she does. That's why I'm asking, what has transpired between September the 9th and today is she has been aware of that...that issue has been resolved?

JUSTIN PHILLIPS: I've advised her of what I



just told Mr. Prather. She will be paid under the same terms of what's in her lease with us with Appalachian Energy.

MARY QUILLEN: So, the only other thing that she has concerns about is that percentage---.

TOM MULLINS: Fractional interest.

MARY QUILLEN: Yeah, that fraction of percent. And that applies to both item twelve and thirteen, correct?

TOM MULLINS: That is correct. That is correct.

MARY QUILLEN: That's all I have.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Mullins.

TOM MULLINS: Does the Board want to receive the...I know at one point in time, the Board asked about mine works and proposed well placements. We have that information.

BUTCH LAMBERT: Yes. Yes, we do.

TOM MULLINS: Okay. Pass that out. Leave me one.

(Exhibits are passed out.)

TOM MULLINS: I'd like to now call Mr. Tim Blackburn.

TIM BLACKBURN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Blackburn, would you please state your name?

A. Tim Wesley Blackburn.

Q. And what do you do for a living, sir?

A. I'm a professional geologist and I'm project manager for T Engineering who are consultants for GeoMet.

Q. And are you familiar with the unit that is designated as unit F-33?

A. Yes.

Q. And we have handed out to the Board a packet of what appears to be plats. I'd like to ask you to please go over those one at a time. The first one we would like to designate as Exhibit AA. Could you tell the Board what that shows?

A. Well, it's an exhibit showing the Jawbone works. This is another case where you see that

there's no works on this particular map. But I'll point out that there's some preliminary projection for a slope entry right in the northeast corner right here, but they're not part of an official mine plan yet, but just to make you aware that there's some tentative plans there.

Q. Is that based on a dialogue that you have had with the coal operator?

A. It's based on discussions with Jewell Smokeless, the operator.

Q. Okay. The next plat in the packet I would like to label as BB. Could you tell the Board what that shows?

A. This is a topo map showing the unit, the well location, and as you see in red are the abandoned mine works in the Red Ash seam. Again, there is...there is no mine workings in the Jawbone, but just tentative plans for a slope of about this northeast corner of the unit there.

Q. All right. The next plat CC, could you advise the Board what that indicates?

A. This exhibit shows the F-33 unit with the well spot and the surrounding units with ownership.

Q. All right. And the next one DD?

A. It's just a topo map with the F-33 unit and the well spot.

Q. Okay. And this well spot is just the proposed well spot. The well spot has not been permanently fixed, is that correct, or has this well spot been fixed?

A. Yes, it has.

Q. Let the Board know whichever one it is.

A. It has been fixed. In relation to the primary factor was the location of the Jawbone slope.

Q. All right, sir. The next Exhibit EE?

A. This is just an enlargement of the existing and abandoned Red Ash mine workings.

TOM MULLINS: All right, sir. That's all I have of this witness.

BUTCH LAMBERT: Any questions from the Board?

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: It looks to me like on the south side of the creek up through there you've got a strip mine. I assume that on the north side where you've got your location, you're sitting on a strip mine too, aren't you? See the south---.

TOM MULLINS: Is that Exhibit DD, sir, the topo?

BRUCE PRATHER: Yeah. It's this one. See, it says there's a definitely a strip mine on the south side. I assume you've got your location on a strip mine on the north side, is that correct?

TIM BLACKBURN: We do. It's on the...an abandoned mine bench.

BRUCE PRATHER: Yeah, okay.

TIM BLACKBURN: Yeah, we do.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Mullins?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

BRUCE PRATHER: I'll second.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins. It's approved.

TOM MULLINS: Thank you, sir.

BUTCH LAMBERT: Calling item thirteen, a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 417 VA F-34, docket number VGOB-10-921-2799. All parties wishing to testify, please come forward.

TOM MULLINS: Representing GeoMet, Tom Mullins and Pebbles Deel.

JUSTIN PHILLIPS: Justin Phillips, Appalachian Energy.

TIM BLACKBURN: Tim Blackburn for GeoMet.

DALLAS NESTLE: Dallas Nestle for GeoMet.

TOM MULLINS: Mr. Chairman, I need to make a correction. Mrs. Deel has been married and it's Mrs. Burgess now. I apologize to both her and the Board.

BUTCH LAMBERT: Okay. Thank you. We'll make that correction in the record and congratulations.

PEBBLES BURGESS: Thank you.

BUTCH LAMBERT: I guess.

(Laughs.)

SHARON PIGEON: I didn't get her last name.

TOM MULLINS: Burgess. B-U-R-G-E-S-S.

SHARON PIGEON: There. You got a little more direct on that. Thank you.

DAVID ASBURY: Congratulations.

PEBBLES BURGESS: Thank you.

BUTCH LAMBERT: You may proceed, Mr. Mullins.

TOM MULLINS: Thank you.

DALLAS NESTLE

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your full name, Mr. Nestle?

A. Dallas Nestle.

TOM MULLINS: And, Mr. Chairman, if I could, I'd like to incorporate job duties, lease terms and things of that nature to prevent having to go through that---.

BUTCH LAMBERT: Accepted.

TOM MULLINS: Thank you.

Q. Are you familiar with unit F-34?

A. Yes.

Q. How many acres are in this unit?

A. 80.18.

Q. And is this an Oakwood unit?

A. Yes, it is.

Q. And does GeoMet possess drilling rights in this unit?

A. Yes, they do.

Q. Are you aware of anyone that needs to be dismissed as a party as listed in Exhibit B-3?

A. No.

Q. What is the percentage of coal ownership that GeoMet has under lease?

A. 53.77.

Q. And the percentage of gas ownership?

A. 60.174245.

Q. Okay. And was notice sent as required by statute?

A. Yes.

TOM MULLINS: And, again, with leave of the Board we'll submit the evidence of the certified mailings post hearing.

Q. Is GeoMet authorized to do business in Virginia?



A. They are.

Q. What is the percentage of the oil and gas estate that GeoMet is seeking to pool?

A. 39.825755.

Q. And the coal estate?

A. 46.23.

Q. And to your knowledge, are there any unknown or unlocateable owners?

A. No.

Q. Are there any parties whose interests are in dispute to your knowledge?

A. No.

Q. Okay. Is GeoMet requesting the Board to pool the unleased interest in this unit?

A. Yes, we are.

Q. And to whom should communications be sent?

A. Joseph Stevenson, land manager, GeoMet, Birmingham, Alabama.

Q. At the Stadium Trace Parkway address?

A. That's correct. 5336 Stadium Trace Parkway.

Q. All right, sir. And are you familiar with the estimated well costs or AFE that was prepared?

A. Yes, I am.

Q. All right. And are you aware of the proposed depth of that well?

A. Yes. 1650 feet.

Q. And the estimated reserves?

A. 816,000,000.

Q. And the estimated well completion costs?

A. \$401,952.

Q. And dry hole costs?

A. \$167,985.

Q. And has a...as an exhibit to the application, was an AFE attached?

A. Yes, it was.

Q. Okay. And included in the AFE was there a charge indicated for the supervision of the drilling of the well?

A. Yes.

Q. And is it your opinion that the application promotes conservation, protects correlative rights and prevents waste?

A. Yes, it does.

TOM MULLINS: That's all I have of this witness. I have Mr. Blackburn after the Board's---.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Mullins.

TOM MULLINS: All right. Have you handed these out?

DALLAS NESTLE: I did.

TIM BLACKBURN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. All right, Mr. Blackburn, would you please state your name?

A. Tim Wesley Blackburn.

Q. And what do you do for a living, sir?

A. A professional geologist and project manager for T Engineering and consultant for GeoMet.

Q. And T Engineering prepared a series of plats to show this unit and well workings in connection...mining related works in connection with

this unit?

A. We did.

Q. I'd like to go through each plat that you prepared. The top plat I would like to designate as Exhibit AA. Could you tell the Board what that shows?

A. Again, the two primary plats showing the mine involved the Jawbone and Red Ash. The first one is the Jawbone. There is no mining in the Jawbone in this unit and none proposed to our knowledge.

Q. Now, the well spot that's indicated on that plat, is that a fixed well spot or is that just a proposed well spot?

A. It is a fixed well spot.

Q. Okay. The next plat I'd like to designate as Exhibit BB. Could you tell the Board what that shows?

A. It is a topo map of the unit and the well in relationship mine workings, the red being the Red Ash. This well is actually below the Red Ash bench by some 20 or 30 feet. So, we're not penetrating it. The nearest Jawbone workings you'll see up here in the northeast corner is quite a ways off. No plan mining in the Jawbone to my knowledge.

Q. And the next exhibit, which we'll label

as CC?

A. This exhibit shows the F-34 unit with the well location and the surrounding units with ownership.

Q. And DD?

A. It is the unit placed on the topographic background with the well (inaudible).

Q. And EE, the last exhibit?

A. It's just an enlargement of the Red Ash mine works and like I said it's below the outcrop actually.

Q. All right, sir. Is this well proposed to be located on a prior mine area or strip bench?

A. It's located along an access road.

TOM MULLINS: All right, sir. That's all I have, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

MARY QUILLEN: Mr. Chairman, I have just want---.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---clarify. This will incorporate the same stipulations for Ms. Hagy's concerns?

TOM MULLINS: The same issues that address...

that we addressed concerning Ms. Hagy, we incorporate here.

MARY QUILLEN: Thank you.

JUSTIN PHILLIPS: If I may, Mr. Chairman, we just---

BUTCH LAMBERT: Mr. Phillips.

JUSTIN PHILLIPS: Appalachian would like to...when GeoMet prepares the information for its supplemental order, as Mr. Mullins said in the previous hearing, that those ratifications be included with that supplemental order.

TOM MULLINS: And we'd make that request here today too, Judge...or Mr. Chairman.

BUTCH LAMBERT: Okay. Thank you. Anything further, Mr. Mullins?

TOM MULLINS: Do we have a signed plat?

BUTCH LAMBERT: Do I have a motion?

TOM MULLINS: Do we have a signed plat?

BRUCE PRATHER: Motion to approve.

KATIE DYE: Motion to approve.

BUTCH LAMBERT: Before we do, I think...I think we'll need another signed plat.

TOM MULLINS: We got it.

BUTCH LAMBERT: Okay. Okay, thanks. Anything

further, Mrs. Dye?

KATIE DYE: No. I was just making a motion to approve.

BUTCH LAMBERT: Oh, I'm sorry.

(Laughs.)

BUTCH LAMBERT: I thought you was correcting me. I have a motion to approve. Do I have a second?

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins. It's approved.

TOM MULLINS: Thank you.

BUTCH LAMBERT: Calling item fourteen, a petition from GeoMet Operating Company, Inc. for of coalbed methane unit 420 VA F-37, docket number VGOB-10-0921-2800. All parties wishing to testify, please come forward.

TOM MULLINS: Tom Mullins and Pebbles Burgess  
for GeoMet from the Street Law Firm.

JUSTIN PHILLIPS: Justin Phillips with  
Appalachian Energy.

TIM BLACKBURN: Tim Blackburn with GeoMet.

DALLAS NESTLE: Dallas Nestle with GeoMet.

BUTCH LAMBERT: You may proceed, Mr. Mullins.

TOM MULLINS: Yes, sir. Let me check on thing,  
where is my application, real quickly, sir.  
Judge...excuse me, I apologize.

BUTCH LAMBERT: Well, thank you.

TOM MULLINS: Mr. Chairman. It's a habit. I'm  
sorry.

(Laughs.)

TOM MULLINS: Exhibit A to the application is a  
plat that the well spot has been relocated and we have  
handed out a new plat to show the new well spot and we  
would ask the Board if we could be allowed to substitute  
this new plat for what is right now Exhibit A. And  
we'll...I'll be happy to go through that as part of the  
testimony, Mr. Chairman.

BUTCH LAMBERT: Okay. So, we're going to talk  
about this?

TOM MULLINS: We will.



BUTCH LAMBERT: You just want to substitute it  
and we'll talk---?

TOM MULLINS: Yes.

BUTCH LAMBERT: Okay. Sure. Accept...we'll go  
ahead and accept that.

TOM MULLINS: All right, sir.

DALLAS NESTLE

having been duly sworn, was examined and testified as  
follows:

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your name, Mr.  
Nestle?

A. Dallas Nestle.

Q. And do you still work for GeoMet  
Operating Company?

A. I am.

Q. And you're familiar with unit F-37?

A. I am.

Q. How many acres are in unit F-37?

A. 8.18.

Q. 80.18?

A. 80.18.

Q. Okay. And this is an Oakwood unit?

A. Yes, it is.

Q. And does GeoMet possess rights to drill this unit?

A. Yes.

Q. To your knowledge, are there any folks listed on B-3 that need to be dismissed today?

A. No.

Q. And what is the percentage of the coal ownership that GeoMet has under lease?

A. 53.45%.

Q. And the gas ownership?

A. 75.78%.

Q. And was notice sent as required by statute?

A. Yes, it was.

Q. And GeoMet intends to submit evidence of the green cards post-hearing?

A. Yes.

Q. Okay. And is GeoMet authorized to do business in the Commonwealth of Virginia?

A. They are.

Q. And does it have a bond as required by statute for the plugging of the wells?

A. Yes, we do.

Q. What is the percentage of the oil and gas estate that GeoMet is seeking to have the Board pool today?

A. 46.55.

Q. Okay. That's the coal estate, is it not?

A. I'm sorry, that's the coal. The gas is 24.22.

Q. And the coal estate is 46.55, is that correct?

A. Right.

Q. And are there any unknown or unlocateable owners?

A. Yes.

Q. And those are involving folks in Tract 6?

A. That is correct.

Q. Okay. What is the percentage of the amount that we're asking the Board to escrow due to these unknowns and unlocateable owners?

A. .003571%.

Q. Okay. And is there an Exhibit E to the application identifying that...those interests?

A. Yes, there is.

Q. Okay. And is it GeoMet's request that the Board pool the unleased interest in this unit?

A. Yes, it is.

Q. And to whom should communications be given?

A. Joseph Stevenson, Land Manager, GeoMet Operating Company, 5336 Stadium Trace Parkway, Ste. 206, Birmingham, Alabama.

Q. All right, sir. Are you familiar with the estimated well costs and the exhibit prepared in connection thereto for this unit?

A. I am.

Q. And that was attached as an exhibit to the application, is that correct?

A. Yes, it was.

Q. And what is the proposed depth of the well for this unit?

A. 2,233 feet.

Q. And the estimated reserves?

A. 912,000,000 standard cubic feet.

Q. The estimated well completion costs?

A. \$468,710.

Q. And the dry hole cost estimate?

A. \$231,048.

Q. And does the AFE indicate a charge for the supervision of the drilling of the well?

A. Yes, it does.

Q. And in your opinion, would the granting of this application promote conservation, protect correlative rights and prevent waste?

A. Yes, it would.

TOM MULLINS: All right. That's all the questions I have of Mr. Nestle. I'll address the plat with Mr. Blackburn.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Mullins, you may continue.

TOM MULLINS: Thank you.

TIM BLACKBURN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Blackburn, would you please state your name?

A. Tim Wesley Blackburn.

Q. And what do you do for a living, sir?

A. A professional geologist and project manager for T Engineering and consultants for GeoMet.

Q. Okay. The first thing that I would like to ask you is that we have distributed the Board a substituted Exhibit A or a plat. Could you tell the Board what necessitated that substitution and what the new plat shows?

A. The relocation of the well is due to terrain. We have moved from the well spot, if you look at exhibit...the first exhibit, from roughly here 200 feet or so to the northwest. You'll note that it's outside the drilling window. But the move was necessary because of terrain concerns, which we'll get into on one of the later exhibits.

Q. Okay. And is it a request to GeoMet that this new plat be substituted as Exhibit A to the application?

A. Yes.

Q. All right, sir. Next, you also prepared

some plats that deal with the mine works in connection with this unit, is that correct?

A. That's correct. I think the first plat that we're looking at is the topo map. Is that one that you have up next?

Q. Let's label...just for record purposes, let's label that as AA, please.

A. This topo map doesn't quite do this area justice terrainwise. Essentially, if you can follow that road around...or along the ridge line there, there's several houses in this vicinity. The topography is quite a bit steeper than at first glance it appears on this map. But essentially coming back toward this ridge line road for constructing a well site, I've looked at it and several of our guys looked at the well and we're running a risk of undercutting this public road. There's just not a very good way to position a well inside the window. So, our option has been to lower or to move the well to the northwest where the terrain is a lot better and we have existing an access road, which we're longways actually up from the Middle Fork and Spruce Pine.

Q. All right, sir. Now, the next plat that you have, which we'll label as BB, is that the Red Ash

works?

A. It is. And there's two different...the map appears two different ways. In the northwest corner you'll see we actually show the pillars of blocks left in an abandoned Red Ash works. Then as you come southeast on the plat, you'll see we just have the outline and that's just because we had two different sources of mapping.

Q. All right. One was more detailed than the other?

A. Yes.

Q. Okay. The next plat, which we will call CC?

A. It's a topographic map showing the unit and the well location in relation to the Red Ash and as you see the legend shows Jawbone works. There's no Jawbone works to our knowledge and none planned.

Q. All right, sir. And DD?

A. This just shows the Jawbone works which is blank. There's nothing planned to our knowledge.

Q. Okay. And the last exhibit, EE?

A. The last one shows the unit and the well location with the surrounding units as well as ownership.



Q. Okay. And where the well spot is who are the interest owners where the well spot is?

A. LBR Holdings.

Q. Lon B. Rogers Holdings?

A. Yes.

Q. Okay. And they are into the adjoining units as well?

A. Yes.

Q. LBR covers all of that interest?

A. Yes.

TOM MULLINS: All right. That's all I have, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

BRUCE PRATHER: I've got one little question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I assume that since this well is outside the window and you just...I'm kind of corroborating what you said. I assume there's no correlative rights that would be effected by moving this location outside the window, is that correct?

TOM MULLINS: Yes, sir. LBR has the interest in these adjoining units as well.

BRUCE PRATHER: Okay. All right. Fine. Thank you.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Mullins?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

TOM MULLINS: Thank you.

BUTCH LAMBERT: Thank you, Mr. Mullins. I'm thinking about taking lunch.

FRANK HENDERSON: Would it be possible that we could squeeze in before lunch? I've got a meeting with Mr. Morefield in Richlands.

BUTCH LAMBERT: Is this the only one you have, Mr. Henderson?

FRANK HENDERSON: Yes, sir.

BUTCH LAMBERT: Yeah, let's do that.

FRANK HENDERSON: We'd appreciate it. Thank you.

BUTCH LAMBERT: Calling docket item number fifteen, a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-261(G-95), docket number VGOB-10-0921-2801. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser, Justin Phillips and Frank Henderson for Appalachian Energy.

(Frank Henderson is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JIM KAISER: We appreciate the Board letting us fit this one in. We've passed out some revised...I'm sorry.

JUSTIN PHILLIPS

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Phillips, if you'd state your name, who you're employed by and in what capacity?

A. Justin Phillips, Appalachian Energy, Inc, land manager.

Q. And what do the revised set of exhibit that we just passed out represent?

A. When we submitted the application, we had one of the parties unleased that's in Tract 3. It's Marcus J. Brown. We just picked up a lease with him here recently. So, the exhibit that Mr. Kaiser passed out reflects that change in our leasehold status.

Q. And in addition, I think that we had possibly...at least my file didn't contain an Exhibit B-3 and we've included an Exhibit B-3 with this?

A. That's correct, yes.

Q. Okay. And your responsibilities include the land involved in this unit and in the surrounding area?

A. Yes, they do.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest within this unit?

A. Yes, I am.

Q. Does Appalachian Energy own drilling rights in the unit involved here?

A. Yes, we do.

Q. And, obviously, you've just testified that you picked up an additional lease since the filing of the application. So, you have continued to make an effort to contact each of the respondents and work out a voluntary lease agreement with each?

A. Yes, we have.

Q. So, we have...this particular unit contains three tracts and they're all fee mineral tracts?

A. Yes.

Q. So, what is the percentage of both the gas and coal estate that remain unleased at this time?

A. 98.14%.

Q. That's the part that's leased.

A. I'm sorry.

Q. So, 98.14 is leased and 1.86 is unleased?

A. That is correct. I'm sorry.

Q. That's mine fault. I asked the question backwards. We don't have any unknowns, is that correct?

A. That's correct.

Q. Okay. Are the addresses set out in Exhibit B to the application the last known addresses for the respondents?

A. Yes, they are.

Q. Are you requesting this Board to force pool all unleased interest listed at Exhibit B-3 that we just passed out?

A. Yes, we are.

Q. Now, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes, sir.

Q. Could you advise the Board as to what those are?

A. A \$5 bonus for a five year term at a one-eighth royalty.

Q. In your opinion, do the terms that you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

Q. Now, do you recommend that as to the respondents listed at Exhibit B-3 who remain unleased that they be allowed the following statutory options with respect to their ownership interest within the unit: 1) Direct participation; 2) a cash bonus of \$5 per net mineral acre plus a one-eighth of eight-eighths royalty; or

3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his or her interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to his or her share interest equal, 300% of the share of such costs applicable to the interest of the carried operator of a leased tract or portion thereof or 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that the order provide that elections by respondents be in writing and sent to the applicant at Appalachian Energy, Inc., P. O. Box 2406, Abingdon, Virginia, Attention: Justin Phillips.

A. Yes.

Q. Okay. Do you recommend that the order provide that if no written election is properly made by a respondent, then such respondent should be deemed to have elected the cash royalty option lieu of either direct or

indirect participation?

A. Yes.

Q. Should the unleased respondents be given 30 days from the date that they receive the recorded Board order to file their written elections?

A. Yes.

Q. If an unleased respondent elects to participate, should they be given 45 days to pay their proportionate share of the actual well costs?

A. Yes, they should.

Q. Should the applicant be allowed a 120 days following the recordation date of the Board order and thereafter annually on that date until production is achieved, to pay or tender any cash bonus or delay rental becoming due under the force pooling order?

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate, but fails to pay their proportionate share of actual well costs then that respondents election to participate should be treated as having been withdrawn and void?

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults



in regard to the payment of well costs any cash sum becoming payable to that respondent be paid to them within 60 days after the last date on which the respondent should have paid their portion of the actual well costs?

A. Yes, we do.

Q. Okay. The Board does not need to establish an escrow account for this unit?

A. No, they do not.

Q. And who should be named operator under the force pooling order?

A. Appalachian Energy, Inc.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

FRANK HENDERSON

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Henderson, if you would state your name, who you're employed by and in what capacity?

A. Frank Henderson, Appalachian Energy, President.

Q. And what's the proposed total depth of this well?

A. 1875 feet.

Q. And estimated reserves over the life of the unit?

A. 250,000,000 cubic feet.

Q. And has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of well costs?

A. Yes.

Q. Could you state both the dry hole costs and completed well costs for this well?

A. The dry hole costs \$142,205 and the completed well costs \$341,628.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved as submitted with the revised set of exhibits.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's

approved.

JIM KAISER: Thank you.

FRANK HENDERSON: Thank you very much, Mr. Chairman.

JIM KAISER: Thank you for accommodating Mr. Henderson.

BUTCH LAMBERT: You're welcome.

JIM KAISER: Don't get a speeding ticket.

BUTCH LAMBERT: Tell him to call the Board if he has any problems.

(Laughs.)

BUTCH LAMBERT: We're going to break for lunch and we'll resume at about ten after 1:00.

JIM KAISER: Ten after 1:00?

BUTCH LAMBERT: Yes.

(Lunch.)

BUTCH LAMBERT: Okay, time for us to get started back. We're calling item number sixteen on the docket. A petition from EQT Production Company for pooling of gas unit and well VC-536323, docket number VGOB-10-0921-2802. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Production.

(Rita Barrett is duly sworn.)

(Exhibits are passed out.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you would state your name for the record, who you're employed by and in what capacity?

A. My name is Rita McGlothlin Barrett. I'm employed by EQT Production in Clintwood, Virginia as regional land manager.

Q. And do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest within this unit?

A. Yes.

Q. Does EQT own drilling rights in the unit involved here?

A. We do.

Q. Now, prior to the filing of the application, were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. What percentage of the gas estate is under lease to Equitable within this unit?

A. 99.58%.

Q. The coal estate?

A. 100%.

Q. Are all the unleased parties set out at Exhibit B-3?

A. Yes.

Q. So, what remains unleased is .42% of the gas estate?

A. That's correct.

Q. Are there any unknown and unlocateables within the unit?

A. No.

Q. And are the addresses set out in Exhibit B to the application the last known addresses for the respondents?

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest as listed at B-3?

A. Yes.

Q. Are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. I am.

Q. Could you please advise the Board as to what those are?

A. Yes. \$25 per acre for a five year paid up term and a one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: With your permission and Ms. Barrett's agreement, Mr. Chairman, I'd like to incorporate the statutory option election testimony taken earlier in item 2801.

BUTCH LAMBERT: Do you agree or accept it?

RITA BARRETT: Yes.

Q. Ms. Barrett, the Board does need to establish an escrow account for this unit, correct?

A. Yes, for Tracts 1 and 4.

Q. Uh-huh. And we do have a...for Tract 2, we have a royalty split agreement?

A. Yes.

Q. And that's reflected in Exhibit EE?

A. It is.

Q. And the well is in the interior window within this unit, correct?

A. It is.

Q. Okay. What is the proposed total depth of this well?

A. 2,073 feet.

Q. Estimated reserves over the life of the unit?

A. 300,000,000 cubic feet.

Q. As an AFE been reviewed, signed and submitted to the Board?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of well costs?

A. It does.

Q. Could you state the dry hole costs and completed well costs for this well?

A. Yes. Dry hole costs are \$127,490.



Completed well costs are \$368,050.17.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interests of conservation, prevention of waste and protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

JIM KAISER: We'd ask that the application be approved as submitted.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN AND KATIE DYE: Motion to approve.

BUTCH LAMBERT: I have a motion. Do I have a second?

BILL HARRIS: Second.

BUTCH LAMBERT: I have a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Mr. Kaiser, it's approved.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

RITA BARRETT: Thank you.

BUTCH LAMBERT: One abstention, Mr. Ratliff. Calling item seventeen is a petition from EQT Production Company for pooling of gas unit and well VC-537061, docket number VGOB-10-0921-2803. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett again.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, again, do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. And are you familiar with the application that we filed seeking to pool the unleased interest in this unit?

A. I am.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. Again, prior to the applic...filing of the application, were efforts made to contact each respondent and an attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. What percentage of the gas estate is under lease to EQT in this unit?

A. 99.986666667%.

Q. And the interest in the coal estate?

A. 100%.

Q. And all the unleased parties are set out

in Exhibit B-3?

A. They are.

Q. So, right now .0133333% of the gas estate remains unleased?

A. That's correct.

Q. And do we have any unknowns or unlocateables in this unit?

A. We do not.

Q. Okay. Are you requesting the Board to force pool all unleased interest as listed at our Exhibit B-3?

A. I am.

Q. Again, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding are?

A. Yes.

Q. Could you advise the Board as to what those are?

A. Yes. \$25 per acre for a five year paid up term and a one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask that we be allowed to incorporate the testimony regarding the statutory election options afforded any unleased parties.

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, does the Board need to create an escrow account for this unit?

A. Yes. They need to escrow Tracts 3 and 4.

Q. And is there a royalty split agreement here?

A. There is.

Q. And that covers which tract?

A. Tract 1.

Q. Okay. Who should be named operator under any force pooling order?

A. EQT Production Company.

Q. Total proposed depth of this well?

A. 2,236 feet.

Q. Estimated reserves over the life of the unit?

A. 300,000,000 cubic feet.

Q. Has an AFE been reviewed, signed and

submitted to the Board?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of well costs?

A. Yes.

Q. Dry hole costs?

A. \$157,392.

Q. Completed well costs?

A. \$363,787.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and protection of correlative rights?

A. Yes.

Q. And we're not done yet. This well is outside the interior window, isn't it?

A. It is outside the interior window, but there are no correlative rights issues associated with

it.

JIM KAISER: Thank you very much. Nothing further of this witness at this time, Mr. Chairman.

Q. Well, I tell you what, let's talk about the Exhibit B because this tract was in both of these units and the lease status of it is kind of funny. Why don't you kind of explain it to them?

A. Tract 3, the Emily Baker interest is leased to our partner Range Resources-Pine Mountain and then the other two interests are leased to Dr. Charles Bartlett. We're pooling Dr. Bartlett's interest.

Q. And Range acquired that...it was originally a Chesapeake lease, which Range has now acquired?

A. That's correct.

JIM KAISER: Okay. Nothing further at this time, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved as submitted.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.

Are there any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff.  
Thank you, Mr. Kaiser. It's approved. Calling item eighteen, which is a petition from EQT Production Company for pooling of gas unit and well VC-537047, docket number VGOB-10-0921-2804. All parties wishing to testify, please come forward.

JIM KAISER: Again, Mr. Kaiser and Ms. Barrett.

(Exhibits are passed out.)

RITA BARRETT



having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed seeking to pool unleased interests in this unit?

A. I am.

Q. Does EQT own drilling rights in the unit involved here?

A. We do.

Q. Prior to the filing of the application, were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. What is the interest under lease to EQT within the gas estate?

A. 99.113333%.

Q. And it's the same in the coal estate, these are fee mineral tracts?

A. That's correct.

Q. Okay. Are all the unleased parties set out at B-3?

A. They are.

Q. So, what percentage of the gas and coal estates remain unleased?

A. .8866667%.

Q. Okay. Do we have any unknown and unlocateables in this unit?

A. We do not.

Q. Okay. Are you requesting the Board to force pool all unleased interest as listed at our Exhibit B-3?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. I am.

Q. Could you advise the Board as to what those are?

A. Yes. \$25 per acre for a five year paid up term and a one-eighth royalty.

Q. In your opinion, do the terms you've just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask that we be allowed to incorporate our previous testimony regarding the statutory elections afforded any unleased parties.

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, does the Board need to establish an escrow account for this unit?

A. No.

Q. Who should be named operator under the force pooling order?

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,226 feet.

Q. Estimated reserves over the life of the unit?

A. 250,000,000 cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of well costs?

A. Yes.

Q. Could you state both the dry hole costs and completed well costs for this well?

A. Yes. Dry hole costs are \$180,228 and completed well costs are \$386,939.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

JIM KAISER: We'd ask that the application be approved as submitted.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. Calling item number nineteen, a petition from EQT Production Company for pooling of gas unit and well VC-537112, docket number VGOB-10-0921-2805. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett.

(Exhibits are passed out.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, we are...Eric is handing

out a revised plat. Can you tell us why?

A. Sure. On the application, there was a 750 foot circle around the well with some tracts labeled A, B and C. After we made application, we realized that that well is indeed in the interior window and that wasn't necessary.

Q. So, it's primarily just removing the circle in the A, B and C to avoid any confusion?

A. Correct.

Q. Okay. Do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in this unit?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. Prior to the filing of the application, were efforts made to contact each respondent and an attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. What is the interest under lease to EQT in the gas estate?

A. 98.08033%.

Q. The coal estate?

A. 100%.

Q. Are all unleased parties set out in Exhibit B-3?

A. Yes.

Q. So, what remains unleased?

A. 1.919667%.

Q. Of the gas estate?

A. Gas estate.

Q. Okay. We do have unknowns and unlocateables in this unit, correct?

A. We do.

Q. Were reasonable and diligent efforts made and the sources checked to identify and locate any unknown heirs including primary sources such as deed records, probate records, assessor's records, treasurer's records and secondary sources such as telephone directories, city directories, family and friends?

A. And internet, yes.

Q. In your professional opinion, was due

diligence exercised to locate each of the respondents?

A. Yes.

Q. Are you requesting the Board to force pool all unleased interest listed at Exhibit B-3?

A. I am.

Q. Again, are you familiar with the fair market value drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those are?

A. \$25 per acre for a five year paid up term and a one-eighth royalty.

Q. In your opinion, do the terms that you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, again, we'd like to incorporate the testimony regarding the statutory elections afforded any unleased parties.

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, the Board does need to establish an escrow account for this unit, correct?



A. That's correct for Tract---.

Q. And it covers...I'm sorry.

A. I'm sorry. Tracts 1 and 5.

Q. Okay. And who should be named operator under any force pooling order?

A. EQT Production Company.

Q. What's the total depth of this proposed well?

A. 1,964 feet.

Q. Estimated reserves over the life of the unit?

A. 225,000,000 cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of well costs?

A. Yes.

Q. What's the dry hole costs?

A. Dry hole costs are \$142,121.

Q. Completed well costs?

A. \$346,405.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. It does.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

BILL HARRIS: Let me ask a quick question.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: In the plat, either one...the one that's handed out or the original, I'm just asking you about that Tiller Fork that's indicated in the northern part of the unit just under the number seven that's circled. It has Tiller. Is that a stream?

RITA BARRETT: Yes.

BILL HARRIS: I mean, why would...okay. Because usually we don't, you know, even seen streams indicated. I just wondered if there was any particular reason why that one was singled out.

RITA BARRETT: The surveyor just stuck it in there.

BILL HARRIS: Okay. Thank you. That's what I needed.

BUTCH LAMBERT: Any other questions?

SHARON PIGEON: I think you testified that you had an unknown and unlocateable. Which tract is that in?

JIM KAISER: She wants to know what tracts are unknown tracts.

RITA BARRETT: Okay.

JIM KAISER: I think it's some of that...I think it's going to be 5. Well---

MARY QUILLEN: Yeah, 5.

JIM KAISER: ---I don't see any.

RITA BARRETT: We don't...we do not have any unlocateables in this. I apologize.

JIM KAISER: Me too. I have got it written on my notes.

RITA BARRETT: I do too.

SHARON PIGEON: I think you've added some addresses. So, you probably got some additional information because you've got some smaller (inaudible) where you've added some information.

RITA BARRETT: It could be.

SHARON PIGEON: Okay. So, it's all conflicting claims for escrow?

JIM KAISER: Yes, ma'am.

RITA BARRETT: It looks like we have addresses for everyone.

JIM KAISER: So, 1 and 5 due to conflicting claims. Would that still be correct?

RITA BARRETT: Yes.

JIM KAISER: Okay. Thank you.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved as submitted.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff.  
Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

BUTCH LAMBERT: Calling item twenty, a petition from EQT Production Company for pooling of gas unit and well VC-536520, docket number VGOB-10-0921-2806. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett for EQT.

RITA BARRETT

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed seeking to pool any unleased interest in this unit?

A. I am.

Q. Does EQT own drilling rights in the unit

involved here?

A. Yes, we do.

Q. Prior to the filing of the application, were efforts made to contact each respondent and an attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. What percentage of the gas estate is under lease to EQT?

A. 98.36%.

Q. The coal estate?

A. 100%.

Q. Are all unleased parties set out in B-3?

A. Yes.

Q. So, .164% of the gas estate remains unleased?

A. That's correct.

Q. Now, in this unit, we do have unknown and unlocateables, right?

A. Yes, in Tracts 3 and 4.

Q. Okay. Were reasonable and diligent efforts made and sources checked to identify and locate these unknown heirs including primary sources such as deed records, probate records, assessor's records,

treasurer's records, internet and secondary sources such as telephone directories, city directories, family and friends?

A. Yes.

Q. Are you requesting the Board to force pool all unleased interest as listed at Exhibit B-3?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. I am.

Q. Could you advise the Board as to what those are?

A. Yes, \$25 per acre for a five year paid up term and a one-eighth royalty.

Q. In your opinion, do the terms that you've just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask that we be allowed to incorporate the statutory election testimony regarding any unleased interest within the unit.

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, does the Board need to establish an escrow account for this well?

A. Yes, for Tracts 2, 3 and 4.

Q. Okay. And 2 is conflicting claims and 3 and 4 unknown and unlocateables?

A. That's correct.

Q. Okay. And who should be named operator under any force pooling order?

A. EQT Production Company.

Q. What's the total depth of this proposed well?

A. Total depth is 3,165 feet.

Q. Estimated reserves over the life of the unit?

A. 400,000,000 cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. Yes.

Q. In your opinion, does it represent estimate of well costs?

A. Yes.

Q. Could you state both the dry hole costs and completed well costs for this well?



A. Yes. Dry hole costs are \$170,287.  
Completed well costs are \$446,051.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

Q. Is this well outside the interior window?

A. The well is outside the interior window, but there are no correlative rights issues.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BUTCH LAMBERT: Ms. Barrett, could you state the completed costs?

RITA BARRETT: \$446,051.

SHARON PIGEON: That's different from your application.

JIM KAISER: That's rounded up. The application is 446,050.85 maybe.

SHARON PIGEON: No. It's 386,939.

BUTCH LAMBERT: In Section D, it says 386,939.

JIM KAISER: Yeah. That's incorrect. The application is a mistake. Do you want to retestify as to what the actual well cost is or the completed well cost is?

RITA BARRETT: Completed well costs are \$446,050.85 according to the AFE that I have?

BUTCH LAMBERT: Yeah, the AFE is correct. It's just over in the application it's wrong.

RITA BARRETT: Yes. Yes.

BUTCH LAMBERT: It's different...it's different. I'm not saying it's wrong.

JIM KAISER: Well, it is.

RITA BARRETT: We changed our prog forms and they're hard to read. So, I'm sure that's where the confusion of it is.

JIM KAISER: It's my mistake.

SHARON PIGEON: So, it's Jim's fault.

BUTCH LAMBERT: So, it's Jim's fault.

JIM KAISER: It is my fault.

RITA BARRETT: Well, it's---.

JIM KAISER: Absolutely.

SHARON PIGEON: Could we get that on the record?

RITA BARRETT: I'll just say we made a change that might have confused people.

JIM KAISER: No, it was my fault. That's all right.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved with the corrected completed well cost figure.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff.  
Thank you, Mr. Kaiser. It's approved. Calling item  
twenty-one on the docket, a petition from EQT Production  
Company for pooling of gas unit and well VC-539984,  
docket number VGOB-10-0921-2807. All parties wishing to  
testify, please come forward.

JIM KAISER: Jim Kaiser and Rita Barrett on  
behalf of EQT.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

having been duly sworn, was examined and testified as  
follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, do your responsibilities  
include the land involved here and in the surrounding  
area?

A. Yes.

Q. Now, this is a horizontal unit,  
correct---?

A. Yes.

Q. ---that we're attempting to pool some  
interest?

A. Yes.

Q. So, this unit has already been...a provisional unit for this...the drilling of this well has already been established?

A. Uh-huh. Yes.

Q. And does EQT own drilling rights in the unit involved here?

A. We do.

Q. And prior to the filing of the application, were efforts made to contact each respondent owning an interest and an attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. What percentage of the unit is under lease to EQT?

A. 86.45074%.

Q. Are all unleased parties set out at Exhibit B-3?

A. Yes.

Q. So, what percentage of the unit remains unleased?

A. 13.54926%.

Q. So, there...and there are some unknown and unlocateables within this unit?

A. There are.

Q. And were reasonable and diligent efforts made and sources checked to identify and locate any of these unknown respondents including primary sources such as deed records, probate records, assessor's records, treasurer's records, internet and secondary sources such as telephone directories, city directories, family and friends?

A. Yes.

Q. In your professional opinion, was due diligence exercised to locate each of the respondents named herein?

A. Yes.

Q. Are you asking this Board to force pool all unleased interest as listed as Exhibit B-3?

A. Yes.

Q. Now, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. I am.

Q. Could you advise the Board as to what those are?

A. Yes. \$25 per acre for a five year paid up term and one-eighth royalty.

Q. In your opinion, do the terms that you just testified to represent the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Again, Mr. Chairman, we'd ask that the statutory election options afforded any unleased parties be incorporated for purposes of this hearing.

BUTCH LAMBERT: Accepted.

Q. Does the Board need to establish an escrow account for this unit?

A. Yes. For Tracts 1, 9, 10 and 11.

Q. And that would be due to having unknown and unlocateable respondents?

A. That's correct.

Q. Okay. And who should be named operator under any force pooling order?

A. EQT Production Company.

Q. And what's the total depth of this proposed well?

A. Total depth is 4,667.

Q. Estimated reserves over the life of the unit?

A. 700,000,000 cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, does the AFE represent a reasonable estimate of the well costs for this well?

A. Yes.

Q. Could you state both the dry hole costs and completed well costs for this well?

A. Yes. Dry hole costs are \$641,735. Completed well costs are \$1,381,139.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?



BRUCE PRATHER: I've got a question. Rita, is this a Roaring Fork? It looks like it.

RITA BARRETT: I'm sorry?

BRUCE PRATHER: Is this a Roaring Fork well? It looks like it.

RITA BARRETT: Yes.

BRUCE PRATHER: Okay. Thank you.

BUTCH LAMBERT: Any further questions from the Board?

KATIE DYE: Mr. Chairman, I have a question.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Ms. Barrett, would you kind of address the issue of all of these...this high number of unknowns in this application?

RITA BARRETT: I mean, like we said, we talked to family members. We searched the internet. We go on accessory.com and (inaudible).com. We take every avenue. We talk to family members to try to locate unknowns and unlocateables. We just can't find them.

KATIE DYE: Thank you.

RITA BARRETT: And as at previous hearings, if we do locate any unknowns we will bring this back before the Board and repool it or attempt to lease them.

BUTCH LAMBERT: Any further questions?

KATIE DYE: Thank you.

BUTCH LAMBERT: Ms. Barrett, what's the highlighted in our...I guess---?

RITA BARRETT: That was an address change.

BUTCH LAMBERT: Okay. Any further questions from the Board?

SHARON PIGEON: Is there a change on the plat that we've got?

RITA BARRETT: Yeah, the initial plat, the wellbore was different than what is shown on the one you have. Was it outside...I'll let Eric...you need to be sworn.

(Eric Strouth is duly sworn.)

COURT REPORTER: Please state your name.

ERIC STROUTH: William Eric Strouth. What had happened on this one is the original application had...we...the plat just showed the unit and it didn't show the top hole. The top hole was shown on a separate exhibit and we wanted to get it all shown on one plat.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be

approved as submitted, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff and Bruce Prather.)

DONNIE RATLIFF: I abstain, Mr. Chairman.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: Two---.

DONNIE RATLIFF: Falling through the crack again.

BUTCH LAMBERT: Two abstentions, Mr. Prather and Mr. Ratliff. Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: Calling item twenty-two on the docket. It is a petition from EQT Production Company for pooling of conventional gas unit and well V-531579, docket number VGOB-10-0921-2808. All parties wishing to

testify, please come forward.

JIM KAISER: Jim Kaiser and Rita Barrett. We've got the next item on the docket, Mr. Chairman, is a location exception for this same well.

BUTCH LAMBERT: Okay.

JIM KAISER: Yeah, I think what we've done historically in the past is called the location exception because I guess it's sort of necessary that we have that granted before we bother to force pool it in case there would be some problem with it. Sorry about that. I should have caught that before you called that.

BUTCH LAMBERT: Okay. Then we'll be calling docket item twenty-three. A petition from EQT Production Company for a well location exception for proposed well V-531579, docket number VGOB-10-0921-2809.

JIM KAISER: Our witnesses in this matter will be Ms. Barrett and Mr. Chris Hinte, who needs to be sworn.

(Chris Hinte is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Ms. Barrett, are you familiar with the application that we filed seeking a location exception?

A. I am.

Q. And your responsibilities include the land involved here?

A. Yes.

Q. Are you familiar with the application that we filed?

A. Yes.

Q. I'm sorry, I asked you that already. Have all interested parties been notified as required by Section 4B of the Virginia Gas and Oil Board Regulations?

A. Yes.

Q. Would you indicate to the Board...for the Board the ownership of the oil and gas underlying

this unit assuming that the applications are granted and then we have the subsequent pooling application?

A. 100% either leased or pooled acreage within the unit.

Q. And does Equitable have...EQT have the right to operate any reciprocal wells?

A. Yes.

Q. Are there any correlative rights issues?

A. No.

JIM KAISER: That's all I have for this witness, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

CHRIS HINTE

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hinte, could you state your name for the Board, who you're employed by and in what capacity?

A. Chris Hinte, Regional Drilling Manager for EQT Production Company.

Q. And kind of go over your duties again for the Board again if you would because it has been a little bit since you've testified, I think.

A. I'm responsible for all of the drilling operations and completion operations here in Virginia.

Q. Okay. Now, why are we seeking a location exception to drilling this particular conventional vertical well?

A. Because of...while we're drilling horizontal wells, VH-531093 and 1094 we hit a large gas shale in an upper formation. We want to go in there and produce that zone and also produce it to...for future horizontal drilling on that pad as well so we can get the gas off of there so it would be safer for future drilling on that pad.

Q. Okay. And in the event the location exception were not granted, could you project the estimated loss of reserves?

A. (No audible response.)

Q. Would that be 500,000,000 cubic feet?

A. Yes.

Q. And what's the total depth of this proposed well?

A. 4,987 feet.

Q. And are we requesting that this location exception cover conventional gas reserves to include the designated formations from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of prevention waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for 531579?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

BILL HARRIS: Yes, Mr. Chairman. Mr. Hinte, did you say safety reasons?

CHRIS HINTE: Uh-huh.

BILL HARRIS: Could you expand on that a little?

CHRIS HINTE: Well, with the amount of gas that we saw there, just for safety for future drilling, we'd like to go in there and produce that gas and get that gas and start producing and lower the pressure and the gas on there. That way when we go back in there and drill for possible other horizontal wells, that gas



isn't as large of a presence as it will be and trying to prevent any future incidents.

BILL HARRIS: Let me ask. So, the horizontal wells, those are already drilled, the two that are there?

CHRIS HINTE: The 1093 and 1094, yes.

BILL HARRIS: Are already drilled? And you encountered this pool or reservoir or whatever?

CHRIS HINTE: In both formation...in both wells in the same depth.

BILL HARRIS: Okay. Okay, yeah, I think that's the first time we'd heard that people were doing that for safety reasons.

CHRIS HINTE: I mean, it was very...it was very difficult when we hit that gas trying to get it to stop to do what we had to do.

BILL HARRIS: The horizontal wells...well, I guess, I'm a little confused. The depth of this is---

MARY QUILLEN: 4,987.

BRUCE PRATHER: 4987.

BILL HARRIS: ---4987 and your horizontals are...they're not that deep though, right?

CHRIS HINTE: They're both deeper than that. They're both in the Huron and this is right above the

Huron.

BILL HARRIS: Okay. Okay. Yeah...okay.

JIM KAISER: And we also try to produce this gas, Mr. Hinte, to basically prevent waste and benefit the royalty owner?

CHRIS HINTE: That's correct.

BILL HARRIS: Okay. Okay, thank you.

MARY QUILLEN: Mr. Chairman, I have just one question to followup on that.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: When you were drilling those two horizontal wells and you went through the Huron, is that what it was or is that where you're producing in the horizontal?

CHRIS HINTE: Well, we're producing out of the horizontal section in the Huron. This formation where we hit the gas is not in the Huron.

MARY QUILLEN: Oh, okay. Okay. That was my question. You went through that formation getting to the Huron and that's when you discovered that that large pool was there.

BRUCE PRATHER: Is this gas in the horizontal leg of your well?

CHRIS HINTE: No.

BRUCE PRATHER: It's not behind pipe, is it?  
Behind the seven inch?

CHRIS HINTE: It's behind the seven inch, yes,  
sir.

BRUCE PRATHER: Oh, is it? Okay.

BILL HARRIS: Let me ask you, when you say  
behind pipe, do you mean that it is excluded---?

BRUCE PRATHER: It's cemented off.

BILL HARRIS: Okay.

BUTCH LAMBERT: So, this is...the purpose of  
this one...I guess I'm confused why we're calling this a  
well location exception.

RITA BARRETT: Because the horizontal wells are  
conventional and---.

BUTCH LAMBERT: I understand that. I'm looking  
at the map. Why are we doing a well location exception?

RITA BARRETT: The location exception is...hang  
on a second.

BUTCH LAMBERT: Well, that was...Mr. Asbury,  
that was going to lead up to my next question? That's  
not...they haven't addressed that.

RITA BARRETT: It's...it's right beside the...  
it's right beside the two horizontals.

BUTCH LAMBERT: Is there a...how I'm going to

get them to see it?

DAVID ASBURY: I don't know.

RITA BARRETT: And also it's...this unit---.

JIM KAISER: It's less than 2500 feet from two other vertical wells.

RITA BARRETT: It's 2409.65 feet from our well V-3198 and it's 1791.75 feet from out well 535943.

JIM KAISER: I'd direct you to item 2.6 in the application.

BUTCH LAMBERT: I understand. I was trying to get that into the record that we---.

JIM KAISER: Thank you.

BUTCH LAMBERT: Without me saying that. I know...we had for the record that this was for safety reasons. But I hope you understand why I was trying to push a little further and get---.

RITA BARRETT: Oh, absolutely. Yes.

JIM KAISER: Right. Why it was required basically as a location exception.

RITA BARRETT: It just took me a minute to find the footage.

JIM KAISER: Thank you.

BUTCH LAMBERT: Yeah. Right. Okay. Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: No, sir. We'd ask that the application be approved as submitted.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff and Bruce Prather.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: Two abstentions, Mr. Prather and Mr. Ratliff. Now, we'll go back docket item twenty-two that has already been called.

RITA BARRETT

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Ms. Barrett, do your responsibilities include the land involved here and in this area?

A. Yes.

Q. Do we have anything to pass out?

(No audible response.)

(Exhibits are passed out.)

Q. And are we...are you familiar with the application that we filed seeking to establish a unit and pool any unleased interest within this unit?

A. Yes.

Q. Does EQT own drilling rights in the unit involved here?

A. We do.

Q. Prior to the filing of the application, were efforts made to contact each respondent and an attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. What percentage of the unit is under lease to Equitable?

A. 99.93611%.

Q. Are all unleased parties set out at B-3?

A. Yes.

Q. So, what percentage of the unit remains unleased?

A. 0.063889%.

Q. Okay. We do have some unknown interest in this unit?

A. Yes. Tract 7.

Q. Were reasonable and diligent efforts made and the sources checked to identify and locate any of these unknown folks including primary sources such as deed records, probate records, assessor's records, treasurer's records, internet, secondary sources such as telephone directories, city directories, family and friends?

A. Yes.

Q. In your professional opinion, was due diligence exercised to locate each of the respondents named in Exhibit B?

A. Yes.

Q. Are you requesting the Board to force pool all unleased interest listed at B-3?

A. I am.

Q. Are you familiar with the fair market

value of drilling rights in the unit here?

A. Yes.

Q. Could you advise the Board as to what those are?

A. Yes. \$25 per acre for a five year paid up term and a one-eighth royalty.

Q. In your opinion, do the terms that you've testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask that we be allowed to incorporate the testimony taken regarding statutory elections afforded any unleased parties.

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, does the Board need to establish an escrow account for this unit?

A. Yes. Tract 7.

Q. Who should be named operator under any force pooling order?

A. EQT Production Company.

Q. The proposed depth of this well?

A. This well is 4,987 feet.



Q. Estimated reserves?

A. 500,000,000 cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of well costs?

A. Yes.

Q. Could you state the dry hole costs and completed well costs for this well?

A. Yes. Dry hole costs are \$212,180. Completed well costs are \$457,639.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at

this time, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved as submitted.

BUTCH LAMBERT: The revised exhibits?

RITA BARRETT: The revised exhibits what's highlighted on page two of four are address changes and those are also to reflect the fact that John Larkin Stanley is deceased. Those are his heirs.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff and Bruce Prather.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: Two abstentions, Mr. Prather and Mr. Ratliff.

BUTCH LAMBERT: Calling docket item twenty-four, a petition from EQT Production Company for the establishment of a provisional drilling unit EQT-2810, docket number VGOB-10-0921-2810. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, on this docket item it will be Jim Kaiser, Eric Strouth and Taylor Vactor.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

ERIC STROUTH

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Strouth, who are you employed by and what are your duties?

A. EQT, I prepared the exhibits for the

force pooling.

Q. And what else do you do?

A. I manage our lease acquisition efforts across Virginia.

Q. And has everybody owning an interest as required by statute in either the oil, gas and coal been notified of this hearing?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

(Taylor Vactor is duly sworn.)

TAYLOR VACTOR

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Vactor, if you would state your name, who you work for and in what capacity?

A. My name is Taylor Vactor. I'm geologist with EQT, the lead Virginia geologist.

Q. And you've testified before the Board on the establishment of provisional units for drilling of horizontal and conventional wells on numerous occasions?

A. I have.

Q. And you've prepared a handout for the Board to illustrate your testimony?

A. That's correct.

Q. Okay. Do you want to go through that now?

A. Yes. So, we'll just go through the usual horizontal proposal packet. So, the proposal for the horizontal unit on page AA is stated as such, we're looking at a 320 acre square unit with dimensions 3,733 X 3,733 with a 5,280 foot diagonal. There will be a 300 foot interior window with a 600 foot standoff from adjacent grid horizontal wellbores. We should be able to drill our surface location outside of the unit so long as production comes from within the unit. There will be a minimum of 600 foot...600 feet between horizontal wellbores and any vertical well producing from that horizon. This unit will allow for multiple wells and/or laterals for a maximum drainage. In some

cases, two or more wells may be able to use the same pad due to terrain restrictions.

On page BB, this just shows a diagram of the dimensions that I previously stated.

On CC, the benefits of horizontal drilling, fewer issues with coal mining. There's less surface disturbance. We can more effectively extract the resource. The laterals can reach into areas otherwise inaccessible by vertical wellbores. There are higher depletion rates and shorter lives the wells. This will encourage development of the resource.

On page DD, this shows where the horizontal units are that we are proposing to establishing today with relation to each other.

On page EE, this shows a map with the horizontal unit outlined in purple for the 2810 unit. I apologize. This isn't clear. With the other green units to the...directly to the west or northwest, the one directly to the west is already approved by yourselves and the one to the north of that is one that we would be planning on getting approved something in the future. And then it shows existing vertical wellbores as well.

On page FF, this is showing unit 2811 outlined

in purple. The only one approved on this page by yourselves would be directly to the west of this unit. The rest of those are units that we are currently working on and they come forth to seek approval in the near future.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

JIM KAISER: We'd ask that the application be approved as submitted, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff and Bruce Prather.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: Two abstentions, Mr. Prather and

Mr. Ratliff. Calling item twenty-five, a petition from EQT Production Company for the establishment of a provisional drilling unit EQT 2811. This is docket number VGOB-10-0921-2811. All parties wishing to testify, please come forward.

BUTCH LAMBERT: Mr. Chairman, Jim Kaiser, Eric Strouth and Taylor Vactor. You may proceed, Mr. Kaiser.

ERIC STROUTH

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Strouth, in this particular unit we're passing out a revised tract ownership information schedule. Really all that has changed is that I'm not sure that it...well, I know that it doesn't really matter for purposes of this particular hearing. But we just corrected some information on there. We had shown one party as being unleased who was actually leased, right?

A. Yes, that is correct.

Q. But in this particular case, what I'm going to ask you has all parties as required by statute,



that being all oil, gas and coal owners been notified?

A. Yes, they have.

Q. And we do have...do we have unknown owners within this unit?

A. Yes.

Q. And did we publish?

A. Yes, we did.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

TAYLOR VACTOR

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Vactor, again, if you would for the Board go through your presentation that you prepared to illustrate your testimony regarding the establishment of this provisional unit?

A. Okay. I will go through the packet again. The proposal is for a 320 acre square unit with

dimensions of 3733 X 3733 for 5,280 foot diagonal. There will be a 300 foot interior window with a 600 foot standoff from adjacent grid horizontal wellbores. We should be able to drill the surface location outside of the unit so long as production comes from within the unit. There will be a minimum of a 600 foot distance between horizontal wellbores and any vertical producing from that same horizon. This will allow for multiple wells and/or laterals for maximum drainage. In some cases, two or more wells may be able to use the same pad due to terrain restrictions.

Again, on page BB, this is a diagram showing the previously mentioned dimensions of the horizontal units.

On page CC, the benefits of horizontal drilling there's fewer issues with coal mining, less surface disturbance. We can more effectively extract the resource. Laterals can reach into areas otherwise inaccessible by vertical wellbores and there's higher depletion rates with shorter lives to the wells and this will encourage develop of the resource.

I guess, I kind of combined the two from the last docket item the first time I went through this. But on page DD, again, it shows both docket items that

we...I guess, 2810 was the previous docket item. This is for 2811 that we're talking about right now, but it shows both of those units with relation to each other.

On page EE, that was the previous docket item.

On page FF, it's for this docket item. We're showing the horizontal unit that we're proposing to seek approval. Again, to the west of that unit, that unit is already approved and all of the other units that are shown on this page are currently working and may come in front of you all to seek approval on those units in the future.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved as submitted, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: I'll second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff and Bruce Prather.

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: Two abstentions, Mr. Prather and Mr. Ratliff. Mr. Kaiser, it's approved.

BUTCH LAMBERT: Item twenty-six is a petition from EQT Production Company for modification of the Nora Coalbed Gas Field to allow one additional coalbed gas well to be drilled in each of the 58.77 acre Nora units. This is docket number VGOB-89-0126-0009-07. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, in this case, it will be Jim Kaiser, Eric Strouth and Abby Tomkiewicz. We'll get her sworn here in a minute.

(Exhibits are passed out.)

(Abby Tomkiewicz is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

ERIC STROUTH

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Strouth, have all parties to this application, that being all oil, gas and coal owners been notified as required by statute?

A. Yes.

Q. And, again, we have...it appears maybe one unknown entity within this unit...within these units, is that correct, or at least one?

A. Let's see.

Q. Yeah, it looks like the Heirs of Emory Clyde Presley.

A. Okay.

Q. So, did we publish in accordance with statute to cover notice to any unknowns?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

ABBY TOMKIEWICZ

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Tomkiewicz, if you would state who you're employed by and in what capacity.

A. I'm employed by EQT Production Company and I'm a geologist for our Virginia group.

Q. And you've previously testified on increased density applications before the Gas and Oil Board?

A. Yes, I have.

Q. Did you prepare a handout to illustrate your testimony today?

A. Yes, I did.

Q. Could you go through that please?

A. Sure. This is the normal handout that we give you guys. We're requesting permission to drill increased density wells in our field. If you look at the first page, AA, we've just divided out and put the number of increased density wells that we've drilled

broken down by year and then for 2010 is, you know, towards the bottom. And for our totals we've got a 179 wells drilled, 7,170 mmcf cumulative production and 11.24 mmcf a day for rate. That rate is as of July the 31st of this year.

If you flip to BB, this is just a graph our infill or our increased density wells versus our original wells that we have drilled in the field. This is our gross volumes up through July of this year. As you can see our infills are...our increased density wells are the red line and our original wells are the blue line. So, our increase in...you know, we have more production in our infills and that offsets our slight decrease in our original. So, we feel that this is a good use of our capitals to be drilling increased density wells.

On CC, this is a...just a map of the field and the green squares are the increased density wells that we're asking permission to drill. Then the grey ones are ones that we have already had approved by the Board.

Then if you flip to DD, we just zoomed in so you could see what grid they correspond to the Board docket item numbers. So, you could see where those are.

Then EE is the same. You can see 79BQ and 88BO

are being requested.

Then on FF, the same for those seven increased density wells. So, that is our---.

Q. So, again, it's your testimony that you're getting enough incremental production from the second additional...from the additional well, the second well, to continue to allocate capital to this type of drilling?

A. Absolutely.

JIM KAISER: No further questions of this witness, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

KATIE DYE: Mr. Chairman, I have a question.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Do you already have one well drilled in all of these units that you're asking for---?

ABBY TOMKIEWICZ: I can't say for sure, but I would assume for most of them that we would. But I'm not...I don't...don't quote me on that.

KATIE DYE: Okay. Thank you.

BUTCH LAMBERT: You are. You just quoted it.

ABBY TOMKIEWICZ: I said I wasn't sure.

BUTCH LAMBERT: You're on the record.

SHARON PIGEON: We have someone coming up here



who's sure, I think.

JIM KAISER: Yeah. We...well, I think by matter of definition we probably wouldn't be applying for this if we didn't and if you'll look at the relief sought---

ABBY TOMKIEWICZ: Right.

JIM KAISER: ---in the application, it shows the existing well within each of the grids...the well number for the existing well.

KATIE DYE: Thank you.

BUTCH LAMBERT: Thank you. Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved.

BUTCH LAMBERT: Do I have a motion?

BILL HARRIS: Motion to approve.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie

Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain...I'll abstain.

BUTCH LAMBERT: One abstention, Mr. Ratliff.

JIM KAISER: Thank you.

BUTCH LAMBERT: Calling docket twenty-seven, a petition from CNX Gas Company, LLC for creation of a provisional drilling unit and location exception and pooling of horizontal coalbed methane gas unit U-3, docket number VGOB-10-0921-2812. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz, Anita Duty and Les Arrington.

(Leslie K. Arrington is duly sworn.)

(Exhibits are passed out.)

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you get to go first, okay.

A. Okay.

Q. Can you handle that?

A. Yes.

Q. You need to state your name, again.

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And what's your title with them?

A. Pooling supervisor.

Q. Okay. And did you participate in preparing the notice of hearing, the application and some of the exhibits with regard to this application pertaining to U-3?

A. I did.

Q. Okay. Let's talk about the applicant a little bit. The applicant is CNX Gas Company, limited, is that right?

A. Yes.

Q. And is that company a Virginia Limited Liability Company?

A. Yes.

Q. Is it authorized to do business in the Commonwealth?

A. It is.

Q. And it's the applicant, but is it also...is it requested that CNX Gas Company be the designated operator if the application is approved?

A. Yes.

Q. And in that regard, has CNX registered with the Department of Mines, Minerals and Energy?

A. Yes.

Q. And does CNX Gas Company, Limited have the required bond on file?

A. It does.

Q. Okay. With regard to lease terms concerning CBM and this is a CBM unit, correct?

A. Yes.

Q. What are the lease terms?

BUTCH LAMBERT: Ladies and gentlemen, excuse me, if you all need to have a conversation, please take it outside. We can't hear up here. Thank you. Sorry, Mr. Swartz.

MARK SWARTZ: No problem.

Q. What would the lease terms be that you've offered to folks that you've been able to reach agreements with in this unit?

A. \$10 per acre per year for a five year paid up term and a one-eighth royalty.

Q. Okay. And is any...is the up front payment recoupable?

A. It is.

Q. Okay. And in the event the Board were to approve this application, would those be terms that you would recommend be inserted in any deemed to have leased provision?

A. Yes.

Q. Okay. What did you do to tell people that we were going to have a hearing today with regard to this?

A. Mailed by certified mail, return receipt requested on August the 20th, 2010 and published the notice and location map in the Bluefield Daily Telegraph on August the 31st, 2010.

Q. And when you published, did the newspaper give you a certificate?

A. Yes.

Q. Okay. And are you tendering your certificates of publication and your certificates with regard to mailing to Mr. Asbury today?

A. Yes.

Q. Do you want to add any respondents?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. Okay. What...what are the interest that the operator has...or the applicant has acquired in this proposed unit?

A. We've acquired 100% of the coal claim and 87.9568% of the oil and gas claim. We're seeking to pool 12.0432% of the oil and gas claim.

Q. Okay. And have you provided a well cost estimate?

A. Yes.

Q. Okay. And before we get to that, if you would look at the plat with me for a moment. I'm going to talk to Les more about this. But just to get you focused on it. The plat here is a combination of several existing Oakwood units, is that correct?

A. Yes.

Q. And when you do the acreage calculation, it's not 320, it's what?

A. 318.52.

Q. Okay. So, that's...that would be the amount of the unit...the acreage in the units that you're seeking to create by this application?

A. Yes.

Q. And have you depicted in a schematic sort of way, the location of the two wellbores that you're going to need to do this and then the three legs?

A. Yes.

Q. So that the Board can see that we're talking and each leg has a distance or a dimension on it and a bearing, correct?

A. It does.

Q. Okay. Now, the well cost estimate that you've provided, which appears later in your application is for what amount?

A. \$1,478,445.14.

Q. Okay. And that includes both of the vertical holes, correct?

A. Yes.

Q. And the three legs each totally something in the order of 2400 feet?

A. Yes.

Q. Okay. And the production from the well, as you understand it, would be in the legs as opposed to the connector between U-3A and U-3B, is that correct?

A. That's correct.

Q. Okay. All right. Have you provided the Board with a statement concerning the need for escrow?

A. Yes.

Q. Okay. And Tract 6 needs to be escrowed?

A. Yes, it does.

Q. And there's a conflict in that tract?

A. There is.

Q. Are there any split agreements that would apply?

A. There are. In Tracts 1, 2, 3, 4, 5A, 5B, 6 and 7.

Q. Okay. And those split agreements and the tracts that have split agreements, you've prepared an Exhibit EE and you're tendering that to the Board with regard to splits?

A. Yes.

Q. Okay. And are you requesting that the order allow you pay people directly consistent with their split agreements rather than escrowing those funds?

A. Yes.

Q. Okay. And that's why you don't need to escrow very much?

A. That's correct.

MARK SWARTZ: Okay. Okay, that's all I have of Anita at the moment.



BUTCH LAMBERT: Questions from the Board?

KATIE DYE: Mr. Chairman.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Could you explain to me...this is just for own education when I hear up front money is recoupable. Could you explain to me what that is?

MARK SWARTZ: I can't hear you.

BILL HARRIS: I didn't...I didn't hear you.

BUTCH LAMBERT: Mrs. Dye, we didn't hear you down this way either.

KATIE DYE: I'm sorry. I said could somebody please explain to me, this is just for my education, if I didn't misunderstand, I heard like the up front money is recoupable.

MARK SWARTZ: Correct. It comes back...if you drill the well, you get a credit against the royalties equal to the amount of the bonus payment.

KATIE DYE: It's just a new term. I hadn't picked up on it before.

MARK SWARTZ: I don't think it's new. But it may have registered for the first time.

KATIE DYE: Yeah. There you go. Thank you.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Swartz.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name for us.

A. Leslie Arrington.

Q. Who do you work for?

A. For Consol Energy.

Q. And what's your current title?

A. Director of Permitting.

Q. Okay. Did you prepare a schematic or a couple of maps and a chart for the Board today?

A. Yes, we did.

Q. Could we distribute those?

A. Yeah.

(Exhibits are passed out.)

Q. Les, could you just summarize briefly... I know you've testified before about horizontal, but could you summarize briefly your involvement with

horizontals in Virginia and other states?

A. Yes. We've been drilling coalbed methane horizontals for quite a few years now. We've brought several before this Board to be approved and drilled. Numerous ones in Northern West Virginia and Pennsylvania.

Q. Okay. And the information that you've provided today, you have...it looks like the first page after the title page...go ahead.

A. Let me make a comment on the title page. When I was making the title page, it says, "Pocahontas Number 2 and 4 seams". These...this application is for the Pocahontas Number 4 seam. So---.

Q. Well, we have several of these on the docket today and most of them are in the Pocahontas 4, but there is also one in the 3 seam.

A. It is.

Q. Which is why you had the---?

A. Yes.

Q. Okay. And you've sort of recycled the cover page?

A. I did.

Q. Okay. With regard to the map that immediately follows the cover page pertaining to this

unit, have you tried to reproduce the well locations and the legs within the proposed drilling unit on this map?

A. We did.

Q. Okay. And that's just to show the Board how they fall on the units?

A. Yes.

Q. And I would point out to you, Les, that the leg to the west on your map actually gets more into the unit that would be in the northwest corner, correct?

A. It does.

Q. Okay. And is that the more accurate depiction of where that leg is probably going to wide up as compared to the plat that's attached or do you know?

A. I...it should be more to the plat.

Q. Okay. So---?

A. Remember, my map is basically a schematic.

Q. Okay. Well, okay, I noticed the difference. So, you would say that the plat would be accurate and yours is a demonstrative exhibit?

A. That's right.

Q. Okay. Just so that we know. With regard to the other exhibit, this is interesting, can you tell the Board whether or not drilling multiple legs

like this is expected to produce the same kind of interference that you have seen and talked about when we're in...when we've been discussing infill drilling with the Board?

A. Yes, it could.

Q. Okay. So, is that...is that a consideration...a positive consideration that you have when you're drilling multiple legs?

A. Yes.

Q. Is this intent...is this last page the horizontal well forecast, does that factor in any kick resulting from increased density?

A. It does.

Q. Okay. Could you tell the Board where the data...where the forecast data comes from or the forecast comes from with regard to the cumulative reserves and forecast?

A. Yes. This comes from data that we've acquired from core holes and existing wells that we have in the area and we've calculated a reserve number, which the cumulative reserves for this well and any others that you'll see is somewhere between 690,000,000 and 900,000,000 cubic feet.

Q. So, we're talking about a substantial

amount of gas per the unit that you're seeking to create here?

A. Yes. Yes.

Q. Okay. Is it your opinion that drilling these two holes and then the three legs and using one of the holes as a production hole is a reasonable way to produce the CBM from within this proposed unit?

A. Yes, it is.

Q. And you've simply utilized Oakwood units to sort of outlined the boundaries, correct?

A. We did. That's been the standard procedure before this Board and that's how we generated it.

Q. That's why you did that?

A. That's why we generated this unit.

Q. Okay. And the...if you combine a pooling order with the leasing that you've been successful in and Anita talked about the acquisition that you've been successful, is it your opinion that the correlative rights of all owners and claimants in this CBM unit would be protected?

A. Yes, it is.

Q. And we need a location exception because we're drilling two wells in close proximity to one

another even though only one of them is actually going to be in production?

A. That's correct.

MARK SWARTZ: That's all I have of Les.

BUTCH LAMBERT: Mr. Swartz, could you repeat that last statement that you made?

MARK SWARTZ: Okay, we---.

BUTCH LAMBERT: If you're drilling two wells, but---.

MARK SWARTZ: One is going to be a production hole.

BUTCH LAMBERT: Okay. I didn't understand you to say that way.

MARK SWARTZ: Yeah. But anytime you drill a hole in the ground in Virginia it's a well pretty much. So, you need a location exception even though we don't intend to produce from both of these...the intention is to utilize one as an access hole and the other as the production hole.

LESLIE K. ARRINGTON: That's correct.

BUTCH LAMBERT: And which one will be which?

LESLIE K. ARRINGTON: The southern...the southern most well will be the access hole and the northern most the production well.

MARK SWARTZ: The one that the three terminate...the three legs terminate into is the production hole, right?

LESLIE K. ARRINGTON: Yes.

BUTCH LAMBERT: Wait a minute. Run through that one more time. I think I heard it backwards and then you---.

LESLIE K. ARRINGTON: No, the access hole, the southern U-3A---.

BUTCH LAMBERT: U-3A is the access hole.

LESLIE K. ARRINGTON: ---it will be drilled...it's the access hole and it will be drilled down to approximately 500 feet above your target seam. A 500 foot radius will be drilled and you'll land approximately at the U-3B into the formation and the laterals will be drilled.

BUTCH LAMBERT: Okay. Thank you.

BUTCH LAMBERT: Let me ask a question related to that. We don't...I mean, I guess, we occasionally see where we have two wells. Is this because you have more than one lateral? I mean, is that why we need that production hole as well as the---?

LESLIE K. ARRINGTON: No.

MARK SWARTZ: You can't make---.



LESLIE K. ARRINGTON: Well, in CBM we have to have a means to bring the water out. Those wells are drilled up dip and the production hole has two purposes. One to bring the water out and one to produce the gas.

BILL HARRIS: Okay. Okay, thank you. Thank you.

BRUCE PRATHER: And you're just going to produce one of these legs?

LESLIE K. ARRINGTON: No, you will produce all three legs. All three legs are drilled out of the U-3B.

BRUCE PRATHER: Well, are you going to run pipe...are you going to run pipe in all three legs.

LESLIE K. ARRINGTON: No.

BRUCE PRATHER: Aren't you afraid that one of your legs might collapse on you and you'd get nothing?

LESLIE K. ARRINGTON: It happens. It happens. Yes, sir.

BRUCE PRATHER: I'd think.

MARY QUILLEN: Mr. Chairman, I have just one question---

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---for Mr. Arrington. Refresh my memory on the CBM horizontal wells. Have you all drilled some of the CBM horizontal wells before and what

is...how successful---?

LESLIE K. ARRINGTON: Fairly successful. Yes, ma'am, we have drilled them in Virginia. We have had them before this Board.

MARY QUILLEN: Right. Right.

LESLIE K. ARRINGTON: Yes.

MARY QUILLEN: And they're---.

LESLIE K. ARRINGTON: They're doing okay.

MARY QUILLEN: Okay. Okay.

LESLIE K. ARRINGTON: Not...they're not great, but they're...they're okay.

MARY QUILLEN: Uh-huh. Okay. Well, you know, we just don't see that many of the CBM horizontals and most of them are conventional and just wondering how they compare or is there...is that like comparing apples and oranges as far---?

LESLIE K. ARRINGTON: To answer the first question. The reason you don't see us with many is our field has been drilled so much vertically. It's hard to find a place that you want to put a horizontal.

MARY QUILLEN: Okay.

LESLIE K. ARRINGTON: And once we find that place, then yes they're fairly successful.

MARY QUILLEN: Uh-huh. Okay. And how do they

compare to conventional or do you...or can you compare them? Are they so---?

LESLIE K. ARRINGTON: Do you mean---?

MARY QUILLEN: As far as production?

LESLIE K. ARRINGTON: Production.

BRUCE PRATHER: Different economics.

MARY QUILLEN: Or is it different.

BRUCE PRATHER: Different economics.

LESLIE K. ARRINGTON: It's kind of different. But they will do okay...comparatively they're doing okay.

MARY QUILLEN: Because the cost is not that different and that's the reason I wondered if---.

LESLIE K. ARRINGTON: That's correct.

MARY QUILLEN: Okay.

BRUCE PRATHER: I've got a question, Mr. Chairman.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: In your initial statements, you said that the potential inference between these legs was beneficial. It always been my conclusion that when you start getting inference between wells, you've drilled one well too many.

LESLIE K. ARRINGTON: In coalbed methane, you

also need to remove more water and take...get the pressure down---.

BRUCE PRATHER: Okay.

LESLIE K. ARRINGTON: ---in coalbed methane. It's a little different than conventional.

BRUCE PRATHER: So, basically...basically what you're doing though is you're using this more as a water drainage thing than to get rid of your water. You've got your well location down dip and your water is all coming into this one well down here.

LESLIE K. ARRINGTON: Well, it is. But you're also want to get your pressure reduced.

BRUCE PRATHER: Yeah. But the thing about it is...I mean, it has always been my contention that if you've got interference between these wells you've drilled one well too many. I mean, you may have a different---.

LESLIE K. ARRINGTON: In conventional.

BRUCE PRATHER: Yeah. You may have a different use for this than what I'm used to looking at. But that has always been my conviction. It was my opinion that there has never been any economic gain in drilling wells that interfere with each other.

LESLIE K. ARRINGTON: Again, in conventional

drilling.

BRUCE PRATHER: Okay.

MARK SWARTZ: Well, we've been here before with infill drilling applications, Les.

LESLIE K. ARRINGTON: Yes.

MARK SWARTZ: I think the Board...unfortunately, I wish we had brought some of those exhibits with us. But we have shown graphs to the Board before where you drill one well and you track the performance of that well and then you bring the second infill well on line and you will see a kick in the first well and you will see the first...the second well coming on at a much elevated rate of production. Have you been here with that kind of data?

LESLIE K. ARRINGTON: Yes, we have.

MARK SWARTZ: Is the performance of a CBM well with regard to water issues and interference in the sense of pressure drops in the seam a different kind of performance than you see in conventional wells.

LESLIE K. ARRINGTON: Yes, it is.

MARK SWARTZ: So, I mean, I think we agree with what you're saying, but we're saying based, I mean...and I think...you know, I hope you remember some of Les' testimony in this regard that there is the concept that

if you drop your pressure in your coalbed methane producing zone you're going to produce more gas.

BRUCE PRATHER: Well, my...what I've always thought happened to you is that, you know, your second well doesn't have that water problem that the first well has. So, what you're doing is you're handling your water better than anything else to get your...to get your increase production.

MARK SWARTZ: There are definitely those two issues in play, but because you don't have the same kind of reservoir in a CBM well. You've got interference to the coal issue. Once you generate that pressure drop, it desorbs from the coal quicker and your production is better. So, I mean, you have...it's a different dynamic with regard to a reservoir pressure than you would expect and experience in a more uniformed conventional horizon.

BRUCE PRATHER: Okay.

MARK SWARTZ: So, there's a water issue, but the interference actually in CBM is generally speaking good.

BRUCE PRATHER: Okay.

MARK SWARTZ: I mean, I'm sort of---.

LESLIE K. ARRINGTON: Yes, that's absolutely correct.

MARK SWARTZ: And I'm sort of...you know, but I think I'm summarizing testimony that we've presented.

BRUCE PRATHER: Yeah. Well, I can understand what you're doing. I mean, it's just that...I assume the economics are there or you wouldn't be doing it. You know, the economics is always a problem with these things.

LESLIE K. ARRINGTON: We hope that's correct.

MARK SWARTZ: Well, and the other benefit of this...I mean, you know, you're getting...you're kind of getting three wells with less surface activity. I mean, they're...you know, there are some other benefits here. You know, you're building a little less in the way of site work and less in terms of roads and power line, you know, and so forth. So, there are some surface advantages to this if it works as well.

BUTCH LAMBERT: Mr. Arrington, on what we're going to label as Exhibit AA that you handed out---?

LESLIE K. ARRINGTON: Yes.

BUTCH LAMBERT: ---on page three of Exhibit AA, so can we take that that well forecast is from your coalbed well horizontal wells or conventional wells?

LESLIE K. ARRINGTON: No, that's coalbed methane.

BUTCH LAMBERT: This is a coalbed methane forecast?

LESLIE K. ARRINGTON: Yes.

BUTCH LAMBERT: Okay.

BRUCE PRATHER: Horizontal?

LESLIE K. ARRINGTON: Horizontal.

BUTCH LAMBERT: Horizontal.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No, sir.

BUTCH LAMBERT: Do I have a motion?

DAVID ASBURY: Mr. Chairman, may I ask a question before you go to the motion?

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: I may have missed it. But the other 1.4 some acres in the southern most corner of these units, what's...what's different about that?

LESLIE K. ARRINGTON: That southeast corner, the reason that was designed that way, we have a sealed gob unit that comes into that corner for the 3 seam. It has already been mined. There shouldn't be...in that area



since the 3 seam is gone and the roofs already broken to the 4 seam. So, there shouldn't be, you know, an overlap of reserves there.

DAVID ASBURY: The reason I ask the question, I was...this is a provisional unit and we get down the road and we class...the Board decides to classify all units as 320 acres, there's going to be some left out that's not taken care of for this particular unit.

MARK SWARTZ: But these people are in another unit?

DAVID ASBURY: I understand. I understand. Just if there's an issue best fixed today then a year from now.

BRUCE PRATHER: Well, contrary to that, if they didn't have correlative rights problems, then it would...I mean, it's an issue with them. They can either drill a new well or whatever. But as long as they don't have any neighbors adjacent to them that they're affecting, couldn't...they could do anything they want to really is what it amounts to.

DAVID ASBURY: My point is we've overlapped units before.

BUTCH LAMBERT: Yeah. That's the point. We're just trying to keep---

BRUCE PRATHER: Yeah.

BUTCH LAMBERT: ---our units uniformed.

DAVID ASBURY: Correct.

BUTCH LAMBERT: Okay. Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff and Katie Dye.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

KATIE DYE: Abstain.

BUTCH LAMBERT: Two abstentions, Mrs. Dye and Mr. Ratliff. Ladies and gentlemen, we're going to take about a five minute break. We'll be back in five minutes.

(Break.)

BUTCH LAMBERT: Okay, ladies and gentlemen, it's time to get started back. Calling docket item twenty-eight, a petition from CNX Gas Company, LLC for creation

of provisional drilling unit and location exception and pooling, docket number VGOB-10-0921-2813. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz, Anita Duty and Les Arrington.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you. I'd like to incorporate Anita's testimony from the prior hearing, if I could, with regard to the applicant and operator, her employment and standard lease terms.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you need to state your name for us, again.

A. Anita Duty.

Q. Okay. With regard to this application, we're seeking to create a drilling unit, right?

A. Yes.

Q. Pool the unit and get a location exception, is that correct?

A. That's correct.

Q. What did you do to tell people that there would be...involved in this unit that there would be a hearing today?

A. Mailed by certified mail return receipt requested on August the 20th, 2010 and published the notice and location exhibit in the Bluefield Daily Telegraph on August the 31st, 2010.

Q. And are you going to provide the proof of publication that you got from the newspaper and your certificates with regard to mailing to Mr. Asbury?

A. Yes.

Q. Okay. And you have those with you today?

A. Yes.

Q. Okay. Could you tell the Board what interests you've able to acquire in this proposed drilling unit and what you're seeking to pool?

A. We've acquired 95.3644% of the coal claim and 95.3644% of the oil and gas claim. We're seeking to pool 4.6356% of the coal claim and 4.6356% of the oil and gas claim.

Q. And this is a...we're talking about a coalbed methane unit here, correct?

A. Yes.

Q. And it...but this is also a horizontal well proposal sort of like what we just saw in the prior unit, correct?

A. Yes.

Q. And the plat here shows that this is a portion of four Oakwood units?

A. Yes.

Q. That contains two proposed vertical holes and three legs, correct?

A. Yes.

Q. Why does the southern boundary of this unit stop short of getting to an 80?

A. There's also a (inaudible) there as well.

Q. That butts up against the sealed gob area?

A. Yes.

Q. And that sealed gob area is also in the 3 seam, I think?

A. Yes.

Q. Okay. This...this well...this proposed

horizontal drilling unit U-6 though is to be the target seam or formation as the 4 seam, correct?

A. It is.

Q. Okay. Have you provided the Board...strike that. The acreage with the proposed unit is how many acres?

A. 252.61 acres.

Q. Okay. Have you provided a well cost estimate with regard to the two holes and the three legs?

A. I have.

Q. And what's that number?

A. \$1,528,445.14.

Q. Have you...is escrow required in this unit?

A. Yes.

Q. And have you provided an Exhibit E escrow?

A. I have.

Q. And what tracts would require escrow?

A. 1A, 1B, 1D, 1E, 1F, 1G, 1H, 1I, 1J and 1K.

Q. Are there any split agreements that pertain to this unit?

A. Yes.

Q. And those would effect what tracts?

A. Tracts 1C, 4 and 6.

Q. And have you provided the Board an Exhibit EE pertaining the split agreements?

A. Yes.

Q. And if this unit is created and pooled, are you requesting that you be allowed...that the operator be allowed to pay the folks who have split agreements directly consistent with their agreements?

A. Yes.

Q. Do you want to add any respondents today to the list?

A. No.

Q. Do you want to dismiss anybody?

A. No.

Q. Okay. Is it your opinion that if you combine a pooling order with the leasing efforts that you've been successful in that the correlative rights of all owners and claimants will be protected?

A. Yes.

MARK SWARTZ: That's all I have at this time for Anita.

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Mr. Chairman, I have just one question.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: On the two units that are not a full 80 you said these back up to a sealed gob. Is this one of those sealed gobs that we're already dealing with those---?

ANITA DUTY: Yes.

MARY QUILLEN: Okay. Okay. I gotcha. Thanks.

BUTCH LAMBERT: Anything further from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Swartz.

LESLIE K. ARRINGTON

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, would you state your name for us again, please?

A. Leslie Arrington.

MARK SWARTZ: I'd like to incorporate the testimony that he gave with regard to his employment, if I could.



BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

Q. Have you prepared your packet with regard to this U-6 unit as well?

A. Yes, I have.

Q. And have we passed it out?

A. Yes.

Q. Okay. This...this unit is in the 4 seam as well?

A. It is.

Q. Okay. And we've got, again, a colored map of the plat is the first page, correct?

A. Yes. Basically a schematic.

Q. And then we've got essentially the same well forecast again showing or incorporating the enhanced production associated with multiple wells in a...sort of an infill drilling context?

A. Yes. With our reserves again being somewhere in the neighborhood of 690,000,000 to 900,000,000 cubic feet.

Q. Okay. And that's what you're projecting for this unit?

A. Yes, it is.

Q. And you've given a gas in place estimate

as well so that you can have a sense of what's recoverable as a percentage?

A. Yes.

Q. Is it your opinion that drilling these two holes and ultimately converting one of them into a production hole with three proposed legs is a reasonable way to produce coalbed methane from this proposed unit?

A. Yes, it is.

Q. Okay. And, again, will the U-6A hole be the access hole?

A. Yes.

Q. And then ultimately the legs would produce from the U-6E hole?

A. Yes.

Q. And are you requesting a location exception to allow you to drill these two wells in the locations shown?

A. Yes, we are.

Q. Okay. And does the plat map, Exhibit A, show the bearing or direction of each of the legs and the distance that you would like to obtain when you drill them?

A. Yes. That is approximate.

MARK SWARTZ: Okay. That's all I have of Mr.

Arrington.

BUTCH LAMBERT: Questions from the Board?

DONNIE RATLIFF: Mr. Chairman.

BUTCH LAMBERT: Mr. Ratliff.

DONNIE RATLIFF: On the plat, 6B and 6G are unknowns but it looks like they have houses on them or there are homes on them. Are those occupied?

MARK SWARTZ: Anita, would it be your practice to not identify surface owners if you're not going to be disturbing the surface?

ANITA DUTY: That's right. Yes.

MARK SWARTZ: So, if you look almost at any application that we give you, it's usually unknown unless we're going to disturb the surface? We don't run the surface title, correct?

ANITA DUTY: Yes, that's correct.

DONNIE RATLIFF: Okay.

MARK SWARTZ: So, we...you know, we could probably find them, but we don't try if we're not going to bother them.

BRUCE PRATHER: I think you've got to stay 200 feet from any house anyway don't you or something like that?

MARK SWARTZ: Yeah. But, I mean, if the tract

that the house...if the people who own the house own the surface and it extended to a point where we were expecting to disturb it we would definitely identify them because we have to notify them of the permit and so forth.

BRUCE PRATHER: Yeah. Right.

BUTCH LAMBERT: On Exhibit 2 of your handout, can you just describe to us, it's shown on the plat map as well, what is going on to the far east of that unit where those lines are drawn? It looks like you're excluding some portions out of that proposed unit.

LESLIE K. ARRINGTON: Yes. That's an additional sealed gob unit, mining unit, that we've had before the Board.

SHARON PIGEON: In that shape?

LESLIE K. ARRINGTON: We did.

BUTCH LAMBERT: About what time...when would that have happened?

MARK SWARTZ: I think something that you need to think about and just remember when you do a sealed gob you follow the seals that are in place underground and they're often in entries that might give you a really bizarre dimension. I mean, it's not...you're following the installation of seals. So, that would...you know,

to me it would not be surprising, but obviously we haven't been here for a while on those. But if you've got a map, Les, and you can show them, that would be awesome. It's VGOB-07-1119-2889 was the order that or the docket number that created---.

(Anita Duty, Mark Swartz and Leslie K. Arrington confer.)

ANITA DUTY: It's VP8SGU5.

BUTCH LAMBERT: Okay.

ANITA DUTY: And VPUSGU---.

MARK SWARTZ: It's stuff right here, isn't it?

ANITA DUTY: Yeah.

LESLIE K. ARRINGTON: It's that one. Then that's---.

MARK SWARTZ: Right.

ANITA DUTY: And then...there's two of them. One of them to the south and one to the east. So, it---.

MARK SWARTZ: I don't have copies of this, but I can show you.

(Mark Swartz confers with the Board and shows them the map and explains.)

LESLIE K. ARRINGTON: It's 1113.

MARK SWARTZ: Is it 13?

LESLIE K. ARRINGTON: It's 1113-2083.

MARK SWARTZ: 2083. It's a little hard to read.

SHARON PIGEON: Be sure you bring that back every time you come back with this.

MARK SWARTZ: Well, only if they look like that. Yeah, if we come back with something like that, we'll get something that we can actually read so you can see it. But he's trying to trace that---.

SHARON PIGEON: Well, at least you had something that was impressive.

BUTCH LAMBERT: One more question. In the northeast of the proposed unit, there's a dot and I can't read what's under that dot. Is that another well?

LESLIE K. ARRINGTON: Okay.

BUTCH LAMBERT: On this map, Mr. Swartz.

MARK SWARTZ: Oh, that. Okay.

BUTCH LAMBERT: Uh-huh.

SHARON PIGEON: You won't be able to read it. Someone will need to know.

BUTCH LAMBERT: Can anybody read that?

SHARON PIGEON: I don't think anyone can read it.

BUTCH LAMBERT: David might can look it up.

DAVID ASBURY: I'm trying.

DONNIE RATLIFF: It's in T-7?

BILL HARRIS: Yes.

BUTCH LAMBERT: Yes.

BILL HARRIS: It looks like AA-300 or AA-380.

LESLIE K. ARRINGTON: I don't know what that is.

MARY QUILLEN: Yeah, it looks like AA-300.

DAVID ASBURY: The system is a little slow, Mr.  
Chairman.

BILL HARRIS: Um?

DAVID ASBURY: The system is a little slow.

BUTCH LAMBERT: Oh.

DONNIE RATLIFF: Did you not pay Northrop  
Grumman?

BUTCH LAMBERT: No. Every time they flash up a  
message bill due or past due.

DAVID ASBURY: You're asking to the northeast?

BUTCH LAMBERT: It's in unit T-7. It's in the  
north almost east.

LESLIE K. ARRINGTON: We've got several maps  
here and it doesn't show up on our other maps.

BUTCH LAMBERT: Because if it's a well, it could  
be an issue.

ANITA DUTY: Well, it's not on the plat either.  
So, I---.

LESLIE K. ARRINGTON: Yeah.

BUTCH LAMBERT: So, you blame it on  
(inaudible)---.

SHARON PIGEON: Or Mark.

BUTCH LAMBERT: Or Mark.

DIANE DAVIS: There was a T-7 that expired a  
long time ago.

BUTCH LAMBERT: I'm sorry, Diane.

DIANE DAVIS: There was T-7 well that expired.  
It was an old Oxy well that was permitted.

BUTCH LAMBERT: Okay.

DIANE DAVIS: That's the only one that I'm---.

BUTCH LAMBERT: Okay.

DIANE DAVIS: ---finding.

SHARON PIGEON: Is it plugged?

BUTCH LAMBERT: So---.

DIANE DAVIS: The permit expired.

BUTCH LAMBERT: So, it was never drilled?

DIANE DAVIS: No, sir.

SHARON PIGEON: Oh, okay.

DAVID ASBURY: There's an S-7 further north of  
T-7 into the---.

BUTCH LAMBERT: That certainly don't look like a  
T-7. There's a lot more numbers than that.



DAVID ASBURY: CB...could it be CBM T-7  
together?

MARK SWARTZ: No.

LESLIE K. ARRINGTON: No.

BUTCH LAMBERT: No.

DAVID ASBURY: There's a CBM S-7---.

BUTCH LAMBERT: Do you have this handout?

DAVID ASBURY: Uh-huh.

DIANE DAVIS: That looks like---.

MARY QUILLEN: It looks like AA-300 or AA-380.

DIANE DAVIS: That's what it looks like to me is  
AA or AW-300.

LESLIE K. ARRINGTON: Yeah. It does doesn't it.  
I can't answer. I don't know. A typo.

BUTCH LAMBERT: Well, if you look further to the  
north up in the corner, there's another one.

LESLIE K. ARRINGTON: It is.

(Leslie K. Arrington and Mark Swartz confer.)

MARK SWARTZ: The maps we have, we don't have  
anything in that location to help us---.

BUTCH LAMBERT: Okay.

MARK SWARTZ: ---answer your question.

BUTCH LAMBERT: Okay.

DAVID ASBURY: There's a compressor to the

north. It's compressor 2003-302. It could be a compressor station maybe rather than just a well.

MARK SWARTZ: Maybe, yeah. I mean, yeah, we're not...we're not showing a well.

DAVID ASBURY: Compression station 302.

BUTCH LAMBERT: But we're pretty sure there's not...it's not a well?

(No audible response.)

BUTCH LAMBERT: Okay. That's all. That was my question. Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye.

BUTCH LAMBERT: And the handout will be labeled as Exhibit AA.

MARK SWARTZ: I'm glad Sharon is finally getting something to do.

SHARON PIGEON: Don't make me come over there. It would be ugly.

(Laughs.)

MARK SWARTZ: You've just been on your best behavior. I'm trying to provoke you a little bit.

SHARON PIGEON: You're failing miserably.

MARK SWARTZ: I think it's working.

(Laughs.)

BUTCH LAMBERT: Calling item twenty-nine, a petition from CNX Gas Company, LLC for creation of a drilling unit and location exception and pooling of horizontal coalbed methane unit N-77, docket number VGOB-10-0921-2814. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz, Anita Duty and Les Arrington.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you. I'd like to

incorporate Anita's testimony with regard to the applicant and operator and her employment.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, would you state your name for us, please?

A. Anita Duty.

Q. Okay. This is for a...to create a drilling unit and to obtain a location exception, correct?

A. Yes.

Q. And we don't have the title done, so we can't be pooling it at the moment, but we'll be back for that?

A. That's correct.

Q. Okay. What did you do to tell people that there was going to be a hearing to create a unit and obtain location exceptions today?

A. Mailed by certified mail return receipt requested on August the 20th, 2010. I published the notice and location exhibit in the Bluefield Daily Telegraph on August the 31st, 2010.

Q. And do you have your certificate of publication with you today and your certificates with regard to mailing to give to Mr. Asbury?

A. Yes.

Q. Okay. How many acres are in this proposed unit?

A. 175.96.

Q. Okay. And then you've provided a map of it?

A. Yes.

Q. And basically it looks like you've combined three Nora Field units in their entirety?

A. Yes.

Q. And each of the Nora unit is identified on the plat?

A. It is.

Q. Okay. And the plat, Exhibit A, also shows the location of the two proposed wells, correct?

A. Yes.

Q. And the legs off of N-77B, correct?

A. Yes.

Q. Okay. Do you want to add or dismiss any respondents today?

A. No.

MARK SWARTZ: Okay. What interests...we're not here on pooling, so we don't need that. Okay. That's all I have of Anita at this time.

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I have a question.

BUTCH LAMBERT: Mr. Prather. I notice on the petition that we have in front of us here, it says the well is going to be in the Pocahontas number 3 coal seam and the rock strata associated therewith. Does that mean that you're going to go outside the number 3 Pocahontas coal seam with your lateral leg? What does that rock strata therewith mean?

MARK SWARTZ: The definition in the Virginia Code defines a coal seam as the seam and the strata associated therewith. Really what we're saying in 8 is the formation to be produced an estimate. So, we're saying we're going to...we intend to produce from that coal seam and associate rock strata. It's not a prediction as to where the well is going to be. It's just we that lifted that from the statute in the

application.

BRUCE PRATHER: Okay. Okay. Yeah, it's kind---.

MARK SWARTZ: I mean, all of our application---.

BRUCE PRATHER: It's kind of confusing because it's coming out of the coal seam. That really---.

MARK SWARTZ: Well, we persuaded the legislature to make the definition more expansive than that and the definition of a coal seam actually in the Code includes the associated strata.

BRUCE PRATHER: Yeah. Well, you've got your...what do you call that shale down there that's below everyone of these coal seams?

MARK SWARTZ: Les, the shale that's below---?

LESLIE K. ARRINGTON: The shale---.

BRUCE PRATHER: That's right below everyone of these coal seams. It's a real hard shale. It's high aluminum. What's the name of that?

LESLIE K. ARRINGTON: The red and green.

BRUCE PRATHER: No, no, no. I mean, it's associated with your coalbed. It's right immediately below just about all of these coal seams. Oh, I'll think of it in a minute. It don't mean anything.

LESLIE K. ARRINGTON: Okay.

MARK SWARTZ: But that language comes out of the statute.

BRUCE PRATHER: Okay.

MARK SWARTZ: And that's why we use it. We're trying to just...it's not something that we did. It's just out of the Code.

BRUCE PRATHER: Okay.

SHARON PIGEON: Something you did before way back with the General Assembly.

MARK SWARTZ: Like in 1990 or something, right? Yeah.

BRUCE PRATHER: Fire Clay.

MARK SWARTZ: Fire Clay. You're right.

BRUCE PRATHER: That's what I'm thinking of.

BUTCH LAMBERT: You may proceed, Mr. Swartz, or continue.

MARK SWARTZ: Any more questions for Anita?

BUTCH LAMBERT: The Board didn't have any.

MARK SWARTZ: Okay.

LESLIE K. ARRINGTON

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION



QUESTIONS BY MR. SWARTZ:

Q. Les, with regard to the two holes that are proposed here, we need two because of the technology to drill these legs, correct?

A. Yes.

Q. Which of the two holes would be...would ultimately be the production hole?

A. The B well.

Q. Okay. And the C well it's just the access hole to make the turn?

A. Yes, it is.

Q. Okay. And the...have you shown on the plat here the bearings of the proposed legs and hopefully the approximate lengths of the legs?

A. We have.

Q. Okay. And have you provided once again just some general information with regard to Pocahontas 3 and 4 horizontals?

A. I did. And this is actually for the Pocahontas 3 seam.

Q. For the Poca 3 seam, okay. And, again, you're expecting, you know, pretty good production from these three holes if you're successful in drilling it?

A. Yes, we are. 690,000,000 to 900,000,000

cubic feet.

Q. Okay. Is it your opinion, based on your experiences in Virginia, West Virginia and Pennsylvania with regard to horizontal wells that this is a reasonable way to produce the methane within this proposed unit?

A. Yes, it is.

MARK SWARTZ: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Yes, Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: Let me ask about the shape of this particular unit. I notice that the southwest, the old 77 I believe it is was excluded---

LESLIE K. ARRINGTON: Yes.

BILL HARRIS: ---from...is there any particular reason why that was not included?

LESLIE K. ARRINGTON: Well, there is. There was just simply no way that we were going to be draining from it. As you can see, the southern most leg---

BILL HARRIS: Yes.

LESLIE K. ARRINGTON: ---is still approximately 700 to 800 feet away from that unit.

BILL HARRIS: Would that get...you know, I keep

thinking about these 320s that we see surfacing all of the time. Of course, these are different than the 320s. I'm not saying you have to adhere to that. I think that we were just...I guess it makes it simpler when we have four of those grids there or four of the units. Well...but I guess it won't drain that. But, I mean, if that lateral were actually more vertical as opposed...were more south, would that not include that? I mean, I just---.

LESLIE K. ARRINGTON: Well, it could have. But we...when we drilled these wells, we're trying to drill them structurally and we're trying to drill them so it's drilling up hill so the water flows---.

BILL HARRIS: Yes.

LESLIE K. ARRINGTON: ---back and, you know, with the structure of the 3 seam in that area we can't go any further.

BILL HARRIS: Okay.

MARK SWARTZ: Well, I will...you know, I will tell the Board, we have no...we are not tied to these three units as opposed to four. I mean, if you...but I will say, you know, from a geology and engineering standpoint we're not going to come in and represent to you that this is going to produce significant gas, if any,

from the omitted unit and, you know, the correlative rights of the people in the three units that we've included, I mean, if they're paying attention one would think they might be on the other side of that issue.

BILL HARRIS: Yes.

MARK SWARTZ: So, you know, we're proposing this, but, you know, we're good to go with four. I mean, I think, you know, the fact that we've created the unit in this shape on balance sends message that we think this is the more appropriate choice, but, you know, we're not going to push back very hard against including another...another unit. But I think this is one of those cases where it's...that leg is quite a ways away and maybe it's...you know, the better call is not to include it.

BRUCE PRATHER: You don't have correlative rights problems by leaving this out, do you? You don't have any correlative rights by leaving this particular...this O-77 out?

MARK SWARTZ: Well, you actually might have correlative rights issues by including. I mean, you've kind of got a balance here.

BRUCE PRATHER: Yeah.

MARK SWARTZ: You know, you've got...I can't

predict that this is going to be strained acreage. I mean, it's not like if we had...you know, I'm just giving you circles for the heck of it just to show you. But, I mean, if you drill some circles, you know you're going to start stranding some acreage.

BRUCE PRATHER: Oh, sure.

MARK SWARTZ: You know, we're leaving an entire Nora unit---.

LESLIE K. ARRINGTON: That's right.

MARK SWARTZ: ---that could be, you know, pulled straight up. So, you know, the correlative rights issues here really are in balance, I think. You know, there's an argument to be made by the people in 3 units that are included that if...that we're going to dilute their interest if we include, you know, another 50 or 60 acres, you know. If the people in that unit can't realistically make the pitch that they're going to stranded partial acreage, you know, I...I think on balance the scale is probably tipped in that direction. But, you know, if you were going to say we're not going to approve this unless it's four, we'll say we're good to go with four, you know.

BRUCE PRATHER: And it's not your intention to strand it? It's not your intention to leave them

stranded out there?

MARK SWARTZ: Correct.

BRUCE PRATHER: I mean, if you could drill it, you probably would.

MARK SWARTZ: Right. And what we've done in the units, I mean, we've tried to butt them up against existing production units so that we're not stranding acreage.

BILL HARRIS: Let me ask another question about that. That lower most lateral, I noticed that it goes at the northern part of O-77 or 78 I guess it is. Is there some limit on how far you can drill that? I'm sure there is.

LESLIE K. ARRINGTON: There is. There is. And we try to get 24...approximately 2400 feet on a lateral and that's the reason you'll see...all of those are real close to 2400 feet and that's the limiting point.

BILL HARRIS: Okay. Because I thought if that could 2600 or so you would extend more into...yeah, okay.

MARK SWARTZ: Well, have you had...have you tried to drill longer and have problem? I mean, why are you cutting off at that---?

LESLIE K. ARRINGTON: That's where we feel like

is our distance. We've had experience at drilling more and not done real well at it.

MARK SWARTZ: Did you hear that answer?

BILL HARRIS: Yes.

MARK SWARTZ: Okay.

BILL HARRIS: Yes. Thank you.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Exhibit AA.

MARK SWARTZ: Yes. Great.

BUTCH LAMBERT: Sharon keeps reminding us.

SHARON PIGEON: I'm here for some purpose.

BILL HARRIS: Do we have a motion?

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: So moved, Mr. Chairman.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved. Calling item thirty on the docket, a petition from CNX Gas Company, LLC for repooling of coalbed methane gas unit J-45, docket number VGOB-02-0716-1043-01. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

CATHERINE JEWELL: Catherine Jewell...Catherine Jewell.

BUTCH LAMBERT: That doesn't work. You'll have to speak up because---

CATHERINE JEWELL: I know. I'm trying... that's...that's...you all...Catherine Jewell, okay. Got it?

BUTCH LAMBERT: Okay.

CATHERINE JEWELL: Okay. I thought that was the issue of it not going in the microphone. Thank you.

(Exhibits are passed out.)

(Catherine Jewell is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Swartz.



MARK SWARTZ: Thank you. If I could, I would like to incorporate Anita's testimony with regard to the applicant and operator, her employment and standard lease terms.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, state your name for us again.

A. Anita Duty.

Q. This is an application to repool, correct?

A. Yes.

Q. And it was caused at least in part by the fact that you all had received a certified survey plat for some Jewell acreage, correct?

A. Yes.

Q. Who did you get that from?

A. Actually, Mr. Ronnie Jewell sent a copy to us.

Q. Okay. And did you then look at your plat maps and incorporate the certified survey into your mapping?

A. Yes.

Q. And did---?

A. The mapping department did.

Q. Right. But I meant your company?

A. Yes.

Q. Yes, okay. And did that make...require some minor changes in percentages?

A. It did.

Q. For example, if we look at the impact on Tract 3, which is an A. B. Jewell tract, you've now got that in the tract identifications at 15.87 acres, right?

A. Right.

Q. And originally when the unit was pooled, what was it?

A. 15.74.

Q. Okay. So, there was minor change, but nevertheless a change there?

A. Yes.

Q. And in addition, did we wind up with an additional tract?

A. We did.

Q. Comparing the first had six tracts and now we have seven?

A. Yes.

Q. Okay. And that tract was added because---?

A. Of the partition deed.

Q. Okay. And essentially, the partition deed apparently some Jewell Heirs or Jewell owners wanted to divide their property, so they had a partition map?

A. Yes.

Q. And that partition map affects this unit as well as the next one on the docket?

A. It does.

Q. Okay. The...so, you're repooling to change the acreages and percentages and add the tract?

A. Yes.

Q. Okay. Have you provided the Board with a plat, again?

A. Yes.

Q. And this is an updated plat? I mean, updated from the first pooling.

A. Revised tract ID.

Q. Okay. But I'm saying the plat that came with this application is a new plat as compared to the original pooling?

A. Oh, yes. Yes. I'm sorry.

Q. And then you've...today you've given them a revised tract ID page?

A. Yes.

Q. And you've also revised Exhibit B-3 and a revised Exhibit E, correct?

A. Yes.

Q. And what's...what are the revisions to those as compared to what you filed?

A. On the tract ID, we revised Tract 1 just to include revelation Energy as a Red Ash seam lessee. I guess we were contacted by them---.

Q. Okay. And---?

A. ---to do that.

Q. ---with regard to Exhibit B-3?

A. We found the address for William Mesick, Jr.

Q. Okay. So, that...like in Tract 7, for

example?

A. Yes.

Q. So, now, you've got an address for him and you've---?

A. Right. And we actually removed him from the Exhibit E as having been escrowed for unknowns.

Q. Okay. And that was the change in Exhibit E?

A. Yes.

Q. Okay. What did you do to notify the respondents listed on the notice of hearing that there was going to be a hearing today?

A. Mailed by certified mail return receipt requested on August the 20th, 2010. Published the notice and location map in the Bluefield Daily Telegraph on August the 28th, 2010.

Q. And have you...do you have with to provide to Mr. Asbury your proof of publication from the newspaper and your certificates with regard to mailing?

A. Yes.

Q. And what interests have you acquired in this unit and what are you seeking to repool?

A. We've acquired 99.175% of the coal, oil and gas claim. Seeking to pool 0.825% of the coal, oil

and gas claim.

Q. Okay. And there are how many wells proposed for this unit?

A. Two.

Q. Okay. And they're both in the drilling window, I think?

A. Yes.

Q. Okay. And this is an 80 acre Oakwood unit?

A. It is.

Q. And there are frac wells?

A. Yes.

Q. Have you provided the Board with a cost estimate?

A. Yes.

Q. Could you tell us about that?

A. For well J-45, the estimated cost is \$211,925.25. The estimated depth 1,853.6 feet. The permit number 4474. For well J-45A, the estimated cost \$306,580.70. The estimated depth 1,645 feet. The permit number 6860.

Q. Are there any split agreements?

A. No.

Q. Okay. And you've provided in your

notice the total of the two well cost estimates, which was 518,505.95, correct?

A. Yes.

Q. Do you want to add any respondents or dismiss any respondents today?

A. No.

Q. Is it your opinion that if you combine a pooling order with the acquisition and leasing efforts that the applicant has been successful in, the correlative rights of all owners and claimants will be protected in this unit?

A. Yes.

Q. Is it your further opinion that drilling two frac wells in this unit is a reasonable way to produce the coalbed methane?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

KATIE DYE: I have a question.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Does the other applications contain a copy of the certified survey plat?

BUTCH LAMBERT: Did the rest of the Board hear the question?

DONNIE RATLIFF: I didn't hear the question.

KATIE DYE: Do you want me to ask it again?

BUTCH LAMBERT: Yeah, they didn't hear you.

SHARON PIGEON: This?

KATIE DYE: No, I'm talking about the one that was submitted. The certified survey by Ronnie Jewell, is it part of the application or did I just miss it?

MARK SWARTZ: It's not in the application.

BUTCH LAMBERT: Any other questions from the Board?

KATIE DYE: Will the plat be made like part of the final order?

MARK SWARTZ: No.

KATIE DYE: No?

MARK SWARTZ: I mean, the testimony is that they used that map to prepare Exhibit A. So, the...you know, the information in that plat is in Exhibit A that was submitted to you. But we never submit, you know, surveys or plats. So, no, it would not be part of the record.

KATIE DYE: Thank you.

BUTCH LAMBERT: So, the response...the response would be that the information from that survey was used to create Exhibit A?



MARK SWARTZ: Right. And that's what I think indicated.

ANITA DUTY: Exactly.

MARK SWARTZ: Yes.

BUTCH LAMBERT: Okay.

MARK SWARTZ: And because the survey was slightly different than what we had, it changed, you know, some of the neighboring tracts, which we did not have a survey for. So, we went with that and that's what caused the slight change in the acreages.

BUTCH LAMBERT: Thank you. Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Jewell.

CATHERINE JEWELL: Yes. Ronnie Dale Jewell submitted the survey plat. I can't remember when they did that partition, but I think...it seems like it has been a while back. But Ronnie Dale Jewell is the Trustee of William Mesick?

ANITA DUTY: Yes.

CATHERINE JEWELL: Okay. So, he submitted the plat and at the same time you all had him listed as unknown? So, I mean---.

ANITA DUTY: We realized that that was error and

we fixed it.

CATHERINE JEWELL: Okay. All right. And a question, when were these wells drilled?

MARK SWARTZ: It's on the exhibits.

CATHERINE JEWELL: Is it?

MARK SWARTZ: It's on it in regards to one of them.

CATHERINE JEWELL: Well, give me a hint where it is.

MARK SWARTZ: It says drilled 11/8/2000 with regard to J-45. It's not on the other one.

CATHERINE JEWELL: Okay. The first well was J-45A?

MARK SWARTZ: No, J-45 says it was drilled 11/8/2000.

CATHERINE JEWELL: Okay. 11/8/2000?

MARK SWARTZ: Correct.

CATHERINE JEWELL: So, we pretty much have an accurate assessment of what the cost of that well will be? In other words, we don't need the estimates anymore.

ANITA DUTY: We had to use the original cost that was included in the first pooling order to make the elections fair.

CATHERINE JEWELL: Okay. But---.

ANITA DUTY: The first...the first pooling order included the costs for J-45 as an estimate.

CATHERINE JEWELL: Right. The estimated cost.

ANITA DUTY: Right.

CATHERINE JEWELL: But, I mean, the person...it always kicks in for actual.

ANITA DUTY: Right. But in order to make it fair, when you go to repool the unit we always include the costs that we originally included.

CATHERINE JEWELL: Okay.

ANITA DUTY: So, the cost doesn't increase for somebody that has already participated. The cost has to remain the same for the first well that was drilled.

CATHERINE JEWELL: Well, maybe I...I've always thought that that cost was just an estimate and that you were actually...like even if you participate or if you're carried that that kicks in based on the actual cost of the well.

ANITA DUTY: It does. But because we are repooling and reallocating, we have to give these people the same opportunities we gave the original people with the lower costs.

CATHERINE JEWELL: Okay. So, for the second

well...this unit this is second...this is the first time that it has been repooled, right?

ANITA DUTY: Yes.

CATHERINE JEWELL: Okay. So, the second well was drilled when?

DAVID ASBURY: April 6, '06.

CATHERINE JEWELL: April 6, '06. So, that one---.

DAVID ASBURY: No.

DIANE DAVIS: No, it was drilled February of '06.

DAVID ASBURY: February the 15th of '06. Sorry.

CATHERINE JEWELL: Okay. So, that one can be the actual cost.

ANITA DUTY: Well, it says estimated/actual. So, whatever is actual will be in bold and whatever is estimated is estimated.

CATHERINE JEWELL: Okay. It seems like a little bit of time delay. But...all right. I did have...could you explain page---.

MARK SWARTZ: You know, are you in this unit?

CATHERINE JEWELL: Yes. I'm representing my father's interest. But Exhibit E effects---.

MARK SWARTZ: What---?

CATHERINE JEWELL: I have his power of attorney. It's on file in the Courthouse. I'm sure you've seen it.

BUTCH LAMBERT: Yeah, Mrs. Jewell, I think you just made a statement that you are representing your father.

CATHERINE JEWELL: I have his power of attorney.

SHARON PIGEON: Well, that doesn't give you the power to act as an attorney. That's just simply something---.

CATHERINE JEWELL: Right. He is up in Maine and I had a question about Exhibit E, which his interest is listed in. I have seen that happen before. You all have had no problem with it where people have come in and represented somebody or their interest. Is this a special case where we can't do it?

SHARON PIGEON: No, we've had them come in and make statements for other people under a power of attorney. But we haven't had them come in and ask questions and cross examine.

MARK SWARTZ: It's an unauthorized practice issue is what it boils down to.

CATHERINE JEWELL: Could somebody ask for an explanation of Exhibit E because I do not understand it?

(Inaudible.)

BUTCH LAMBERT: Could you ask the Board or tell the Board what exactly you're wanting and then maybe I can ask Mr. Swartz the question?

CATHERINE JEWELL: Well, I'd appreciate it. It says J-45 escrow 72.5%. Well J-45A escrow 85.0924%.

BUTCH LAMBERT: Okay. So, what's the question that you're addressing the Board that I need to ask Mr. Swartz?

CATHERINE JEWELL: It's the same unit. Why is the escrow different?

ANITA DUTY: It's because of the ownership of the P3.

BUTCH LAMBERT: I'm sorry?

ANITA DUTY: The ownership of the P3 seam.

SHARON PIGEON: Of the coal seam itself.

BUTCH LAMBERT: Oh, of the coal seam.

ANITA DUTY: Of the coal seam. The wells aren't drilled exact...I mean, the wells can't be drilled exactly the same. So, it's based on the thickness of the P3 and the percentage when you take the total thickness divided by what the...the P3 seam and you get a percentage. The two wells are different. The two wells do not...they don't...the P3 seam is not the same

in both wells.

MARK SWARTZ: The coal thickness are different.

BUTCH LAMBERT: Because of the coal thickness.

MARK SWARTZ: So, when you go to allocate, you get a different percentage, right?

ANITA DUTY: Right. So, we take the completion report for the first well and then the completion report for the second and that's how we get our calculation.

BUTCH LAMBERT: Does that help?

CATHERINE JEWELL: I've never seen it before. Who would be the owner of the P3?

BUTCH LAMBERT: Is the owners of the P3 seam---?

ANITA DUTY: Well, the coal below 800 feet. I'm sorry. It says, "Fee except coal below 800 feet belongs to Buchanan County and A. B. Jewell, Jr., et al owns the coal below 800 feet." So, we do our calculation based off the completion report and elevation.

CATHERINE JEWELL: I've never seen it.

ANITA DUTY: We could escrow the entire interest, but because they do own a portion of it in fee we pay that piece and just escrow the part that's in conflict.

BUTCH LAMBERT: Uh-huh. Okay. I understand. Does that help Ms. Jewell?

CATHERINE JEWELL: No. But I'll...you know, I'll call them up and ask them what that means.

BUTCH LAMBERT: Okay. Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Anything further, Ms. Jewell?

CATHERINE JEWELL: Yes, but I can't ask. So, go ahead.

BUTCH LAMBERT: You can ask the Board and we can try to relay or ask the questions.

CATHERINE JEWELL: I was just wondering about the escrow account where...I've checked before and it just seems like that escrow account for J-45 just was established maybe in July. When I checked in July it wasn't on the escrow account?

BUTCH LAMBERT: Of this year?

CATHERINE JEWELL: Yeah. And these wells have been there for a while. So, I just wondering.

BUTCH LAMBERT: I don't think we can address... can...Anita, can you address that?

ANITA DUTY: The original pooling showed that there was no escrowing required. We've, since after we've remapped this, realized that that was a mistake. So, that money was held internally. So, now...once this



account is established all that...all the money the money that was attributable to these will get deposited...will move from our suspense account into the escrow.

BUTCH LAMBERT: Once this gets approved today, that will be---?

ANITA DUTY: Yes.

BUTCH LAMBERT: Okay.

BILL HARRIS: Let me ask, is there interest also that's taken care of then or how do you deal with that? I mean, how is that dealt with the interest issue? I mean, if it was producing since 2000 and money is escrowed internally and then returned to the bank...otherwise the bank would have paid interest on it during that time.

MARK SWARTZ: Historically, we have tracked the bank's performance and add that interest because it's some nominal. It's not a big issue. So, normally we would tender it with interest going back and using the bank's interest rate. So, the answer to your question is yes we normally do---.

BILL HARRIS: So, that's normally done---?

MARK SWARTZ: ---that because otherwise we have lots of (inaudible), you know. I'm not sure that we

needed to do that, but we do.

BILL HARRIS: Thank you.

BUTCH LAMBERT: Does that answer that question,  
Ms. Jewell?

CATHERINE JEWELL: Yes.

BUTCH LAMBERT: Okay. Anything further?

CATHERINE JEWELL: The next well.

BUTCH LAMBERT: Okay. Any further questions  
from the Board?

MARK SWARTZ: Just to be...just to make sure  
there's no confusion. There is no escrow account for  
this unit currently just so you understand. I mean, the  
Board order did not create an escrow account. So, there  
is no...I don't know how you would check it. There  
isn't one. So, you know, if we don't get an  
order...that's what Anita is telling me.

DIANE DAVIS: Which unit?

DAVID ASBURY: J-45?

ANITA DUTY: Or was that K?

DIANE DAVIS: J-45.

DAVID ASBURY: J---.

ANITA DUTY: J-45 has escrow?

DAVID ASBURY: May I, Mr. Chairman?

BUTCH LAMBERT: Yes, Mr. Asbury.

DAVID ASBURY: Our original order for J-45, docket 1043 showed an escrow for July the 14th, 2003 for Tract 6, which was 2.93 acres at that time. On your Board summary, it shows that on November the 17th, 2003 there was 2...supposedly 2.93 acres that was supposed to have been escrowed. We do have an escrow. The supplemental order also shows an escrow for Tract 6. That was November 2003. We have approximate...just a moment.

ANITA DUTY: That would be the one that was allocated. That would be an allocated number. I misspoke. I'm thinking of K-45.

DAVID ASBURY: Okay.

SHARON PIGEON: Ms. Jewell, did you say you had checked the---?

CATHERINE JEWELL: I checked it in July. There was no...in other words, I looked at the docket number, there was no escrow for that. So, if there's an escrow now it has been, unless I'm wrong, created somewhere after July 2010.

DAVID ASBURY: Okay. What's your ending balance?

(No audible response.)

DAVID ASBURY: Ending balance for September 30

was \$4,231.28 for J-45.

BUTCH LAMBERT: So, when was that established, the original order?

DAVID ASBURY: Sometime between July and September. It was established in November of 2003. There has been a payment between July and September---

BUTCH LAMBERT: Of this year?

DAVID ASBURY: This year. Yes, sir.

BUTCH LAMBERT: Okay.

CATHERINE JEWELL: It was...he's correct. It was established. I think it had a \$1.69 or something in there. The next one was not established. But what I'm saying you had years of production with just a buck something in there before the \$4,000 or whatever was added to it.

BUTCH LAMBERT: I think we just heard testimony that they have been holding that in abeyance. You will deposit or are we talking about a different unit?

ANITA DUTY: I think when I said that the Board did not allow for escrowing that K-45. But J-45, it's based on the percentage...the only thing that we're escrowing is that piece of the coal.

BUTCH LAMBERT: Okay.

ANITA DUTY: So...I mean, to me that \$4,000...

but I can always check with the accounting department and get with Mr. Asbury and show him our records.

DAVID ASBURY: Well...may I?

BUTCH LAMBERT: Yes.

DAVID ASBURY: According to the repooling, the 2.93 acres for Tract 6 now goes to 2.96 and Tract 7 was added for 0.19 acres. So, if I'm correct, there should be some type of an adjustment payment for the unit of .3...03 acres for Tract 6 and the .19 acres in Tract 7 with interest.

ANITA DUTY: The .19 acres will be removed because of the new Exhibit E.

DAVID ASBURY: Okay. Well, is that...is that money...was it held in suspense and paid or how---?

ANITA DUTY: We haven't done anything until this gets approved.

DAVID ASBURY: Okay.

ANITA DUTY: Once this gets approved, we can go back and do a recalculation. So, the only thing that we would owe would be the additional acreage for Tract 6.

DAVID ASBURY: Into escrow?

ANITA DUTY: Into escrow, yes.

DAVID ASBURY: Correct. Okay. But...okay. Just a minute.

ANITA DUTY: And like I said, it's just that percentage. It's not the entire production for that tract.

DAVID ASBURY: Okay. The .19 acres for Tract 7 the William Mesick then will be paid directly to him?

ANITA DUTY: Yes.

DAVID ASBURY: Okay. I'm with you.

BUTCH LAMBERT: Did that help, Ms. Jewell?

CATHERINE JEWELL: Yeah. Thank you.

BUTCH LAMBERT: Okay. Any further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: I think I've done asked you that once. I'm sorry.

MARK SWARTZ: That's all right. No problem.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye.

We're calling item thirty-one on the docket. A petition from CNX Gas Company, LLC for repooling of coalbed methane gas unit K-45, docket number VGOB-04-0316-1262-01. All parties wishing to testify, please come forward.

(Exhibits are passed out.)

MARK SWARTZ: Mark Swartz and Anita Duty.

CATHERINE JEWELL: Catherine Jewell.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you. If I could, I'd like to incorporate Anita's testimony with regard to the applicant and operator, her employment and lease terms.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. We've got some revised exhibits here,

correct, Anita?

A. Yes.

Q. We've revised Exhibit B-3 since you filed?

A. Yes.

Q. Why?

A. To correct the address for Mesick.

Q. In Tract 6?

A. Yes.

Q. Okay. The same situation we had in the prior---?

A. Right. And also to remove him from the Exhibit E.

Q. Okay. Because you essentially have found him?

A. Yes. Well, we knew it before. I don't know what happened.

Q. Okay. That's---?

A. Yes.

Q. You can now pay him?

A. Yes.

Q. Okay. What did you do to notify people that there would be a hearing today?

A. Mailed by certified mail return receipt



requested on August the 28th, 2010 or August the 20th, 2010. Published the notice and location exhibit in the Bluefield Daily Telegraph on August the 28th, 2010.

Q. Do you want to add any dismiss any respondents?

A. No.

Q. Okay. This is in the Oakwood Field?

A. Yes.

Q. It's an 80 acre unit?

A. Yes.

Q. Two wells?

A. Yes.

Q. One in the window and one outside the window, I think, is that right?

A. Yes.

Q. Okay. How much or what interests have you acquired in this unit as an operator and what are you seeking to pool?

A. We've acquired 91.4125% of the coal, oil and gas claim. We're seeking to pool 8.5875% of the coal, oil and gas claim.

Q. Okay. And have you brought with you today to deliver to Mr. Asbury your proof of publication from the newspaper and your certificates with regard to

mailing?

A. Yes.

Q. Okay. With regard to the wells in this unit, have you provided well cost information?

A. Yes.

Q. And the total that you reported in the notice is \$616,044.42, right?

A. Yes.

Q. But have you also provided data on an individual basis?

A. I have.

Q. And what is that?

A. For well K-45A, the cost is \$308,573.49. The depth is 1920 feet. The permit is 6080. Well K-45B, the cost is \$307,470.93. The depth is 1,895 feet. The permit number is 6081.

Q. Okay. Is escrow required in this repooling application?

A. Yes. Tracts 2 and 11.

Q. And 12 you fixed because we've...you've got a revised exhibit because you found Mr. Mesick, right?

A. Yes.

Q. Again, we've got an allocation of

production here?

A. Yes.

Q. Based on coal thicknesses?

A. Yes.

Q. And that's reported in the shaded areas on Exhibit E, correct?

A. Yes.

Q. Any split agreements pertaining to this unit?

A. No.

Q. And the repooling here, was that occasioned by the receipt of a survey map that we discussed in the prior hearing?

A. Yes.

Q. Okay. And essentially would it be true that you used a certified survey map that you receives from some owners in this unit when they partitioned their acreage and you used that map to remap the unit and the remapping is reported on your Exhibit A and then in your tract identifications as well?

A. Yes.

Q. And so it resulted in some acreage and percentage changes, is that correct?

A. Yes.

Q. Okay. Is it your opinion that a pooling order pooling the unleased and unacquired interest of something less than 9% here combined with the applicant's acquisition efforts will protect the correlative rights of all owners and complainants?

A. Yes.

Q. Is it your further testimony that drilling two frac wells in this unit is a reasonable way to produce the coalbed methane in the unit?

A. Yes.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Jewell.

CATHERINE JEWELL: Just a note. Mr. William Mesick has property or interest in Tract 6 and I think Tract 12. Again, the question with respect to what we see on Exhibit E.

BUTCH LAMBERT: It probably would be the same explanation that we had prior in the previous one---.

MARK SWARTZ: Correct.

BUTCH LAMBERT: ---as far as the information obtained in Exhibit E. Your response is I don't understand it. We've never seen this before.

CATHERINE JEWELL: Yeah. This is actually, you know, a conflict between two interests. This is...this is an eminent domain 1930 reverse condemnation type of thing, which was later acquired by Buchanan County. But it looks like there is a payment out of this. We...you know, it's the same type of property. So, I'm not too sure where this payment out comes from. But I will call---.

BUTCH LAMBERT: Okay.

CATHERINE JEWELL: ---the office and if CNX will agree to give me an explanation for it---.

ANITA DUTY: We're paying the coal above 800 feet to Buchanan County because they own the coal above 800 feet and the oil and gas that percentage. But we will...I can explain it.

CATHERINE JEWELL: Okay. Because it's what you stimulated, you know, that would be my question.

ANITA DUTY: Yes. Yes.

BUTCH LAMBERT: So, you'll call CNX and discuss it with them?

CATHERINE JEWELL: Yes.

BUTCH LAMBERT: Okay. All right. Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion? Anything further, Ms. Jewell?

CATHERINE JEWELL: No. Total confusion.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Calling item thirty-two on the docket, a petition from CNX Gas Company, LLC for a repooling of coalbed methane gas unit Q-41, docket number VGOB-93-0216-0327-03. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you. I would like to incorporate Anita's testimony regarding the applicant and operator, her employment and standard lease terms if

I could.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, state your name for us.

A. Anita Duty.

Q. With regard to Q-41, this is a repooling is that correct?

A. Yes.

Q. And it's, again, as a result of remapping?

A. Yes.

Q. So, the percentages and acreages have changed?

A. That's correct.

Q. Okay. The interests that you've acquired is what?

A. 100% of the coal claim and 93.425% of the oil and gas claim.

Q. And you're seeking to pool what interest?

A. 6.575% of the oil and gas claim.

Q. And what notice or efforts to notify people who have claims that you're seeking to pool did you make?

A. Mailed by certified mail return receipt requested on August the 20th, 2010. Published the notice and location map in the Bluefield Daily Telegraph on August the 30th, 2010.

Q. And have you brought your proof of publication and your certificates with regard to mailing with you to provide to Mr. Asbury today?

A. Yes.

Q. Do you want to add any respondents or dismiss any respondents?

A. No.

Q. Do you have any revised exhibits with regard to this?

A. No.

Q. Have you provided the Board with well cost information on these wells?

A. Yes.

Q. And this is, again, an 80 acre unit in



the Oakwood Field, correct?

A. Yes.

Q. And we have two wells within the drilling window?

A. Yes.

(Mark Swartz and Anita Duty confer.)

Q. It looks like there are actually three wells or maybe four.

A. There's actually panels running through there. So---.

Q. Okay. But, I mean, I'm right it looks like there are---?

A. Four, yes.

Q. Okay. And is the reason that you're only seeking the costs for two because that's our practice?

A. Yes.

Q. And I think the Board's practice as well.

A. Yes.

Q. Is there a mine under here?

A. Yes.

Q. Which one?

A. Buchanan.

Q. Okay. Is the number of wells related to degassing that mine?

A. It is.

Q. Okay. Otherwise, you wouldn't have been able to get those permits, I assume?

A. That's right.

Q. Okay. And what well cost information have you provided?

A. Well, 405 estimated...well, the cost \$227,762.65. The depth is 1,898.32 feet. The permit number is 2,161. Well Q-41, \$264,117.64. The depth is 1,977 feet. The permit number is 4562.

Q. And these would be the---?

A. 4582.

Q. Okay. And then you've totaled these two cost estimates in your notice and your application at 491880.29, correct?

A. Yes.

Q. And that would be total number that people would apply their interest in unit to, correct?

A. That's correct.

Q. Okay. And is there escrow required here?

A. Yes. For Tracts 3 and 4.

Q. And how about any split agreements?

A. Tract 2.

Q. Okay. And have you provided the Board with Exhibit E concerning escrow and Exhibit EE concerning split agreements?

A. Yes.

Q. Okay. Is it your opinion these...this collection of wells in this unit not only degas...serves to degas the mine but also serves the benefit of providing coalbed methane gas to the owners and claimants in this unit?

A. Yes.

Q. Is it your opinion that if you combine a pooling order pooling roughly 6 and 1/2% of the interest in this unit with your leasing and acquisition efforts the correlative rights of all owners and claimants will be protected?

A. Yes.

(Mark Swartz and Anita Duty confer.)

MARK SWARTZ: Anita and I are talking about the panel document...the panel data. If the Board will turn to Exhibit B-3, for example. My question for Anita was, are we still in a frac setting because if we are, then, you know, we've given you the cost estimates for a frac

and/or are we in a gob setting now.

Q. Anita, will you tell me where we are at the moment, if you know?

A. 13 right has...they just finished mining 13 right and they are not at 15 yet. So, 15 is going to be in a frac status. So, it's (inaudible).

Q. Right. But at least they know that. So, at some point, we're going to be converting to a gob production allocation based on the interest in panels, but right now we're kind of in the between?

A. Yes, we are.

Q. Okay. I just wanted to indicate why you're getting both sets of numbers. But if people wanted to participate they would be participating in the cost allocation based on the interest in unit at the moment?

A. Yes.

(Mark Swartz and Anita Duty confer.)

MARK SWARTZ: We're done.

BUTCH LAMBERT: Okay.

MARK SWARTZ: Well, I was debating whether or not I should share some more information with you in terms of the...if people were to participate at this point, okay, because they would get frac benefit then

the interest in unit number really is the relevant number. That's what I was debating about telling you. Since you picked up on there might be something you were interested in. I thought I would just share that with you. So, if that makes sense, if we're going to back in time and give people an opportunity to participate from day one then the day one number is the number they should use to pony up the money to buy into the unit. So, in sum, that's where...that was the process that was occurring over here. I wanted to make sure that I had the right number on the table.

BUTCH LAMBERT: Okay.

MARK SWARTZ: Okay.

BUTCH LAMBERT: Any questions from the Board?

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: As far as the change, there was one disbursement for Tract 2 prior to this repooling. It increased Tract 2 by .58 acres. As far as the payment, is that going to be direct?

ANITA DUTY: Yes, the makeup payment will be made directly to them.

DAVID ASBURY: Would it be---?

ANITA DUTY: And then the escrow account...go

ahead. I'm sorry.

DAVID ASBURY: Go ahead.

ANITA DUTY: I think the escrow account was overpaid, is that right?

DAVID ASBURY: No.

ANITA DUTY: Hold on.

DAVID ASBURY: No, there was a .5 and a .11 acreage increase in Tracts 3 and 4 as well. So, there will be an increase. There should be an adjusted payment for Tract 3 and 4 into escrow and then there should be an additional payment because of the increase in acreage of previously disbursed Tract 2. My request is that we receive for our files and the Board files information related to that activity once it occurs.

ANITA DUTY: Yes, we can do that.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do you have anything further, Mr. Swartz?

MARY QUILLEN: Mr. Chairman, just one question.

BUTCH LAMBERT: Oh, I'm sorry, Ms. Quillen.

MARY QUILLEN: That additional acreage for 2 and 3 came from 1, is that correct?

ANITA DUTY: It was the mineral line between Coal Mountain and James McGuire, which Coal Mountain only owns an interest in Tract 1.

MARY QUILLEN: Okay.

ANITA DUTY: When that line shifted, it changed...it changed that because it runs diagonally through the unit.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

DONNIE RATLIFF: Second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: Thank you, Mr. Swartz. It's approved. One abstention, Mrs. Dye. Calling item thirty-three is a petition from CNX Gas Company, LLC for

pooling of coalbed methane gas unit Q-40, docket number VGOB-93-0216-0328-01. All parties wishing to testify, please come forward.

(Exhibits are passed out.)

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you. If I could incorporate Anita's testimony...prior testimony regarding the applicant and operator, her employment and standard lease terms that would be great.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, we've got one revised exhibit here, correct?

A. Yes.

Q. And it's the Tract ID page?

A. Yes.

Q. And would you tell the Board what the



change is so they don't have to hunt for it?

A. The percent of unit it did say 49.8 and it should be 48.9. It just a typo. The exhibit was correct, but the tract ID didn't match.

Q. All right. This is a repooling as well?

A. Yes.

Q. And was it...is it as a result of remapping and also some further wells?

A. Yes. That same line runs through that unit, yes.

Q. Okay. Okay. The line that we just talked about in the prior unit?

A. Yes.

Q. Okay. The...this unit was originally pooled it looks like in '93?

A. Yes.

Q. Okay. What interest have you acquired in this unit over the years and what is it that you're seeking to pool?

A. We've acquired a 100% of the coal claim and seeking and 93.4875% of the oil and gas claim. We're seeking to pool 6.5125% of the oil and gas claim.

Q. Okay. And what did you do to notify the folks that are respondents that you're seeking to pool?

A. Mailed by certified mail return receipt requested on August the 20th, 2010. We published the notice and location map in the Bluefield Daily Telegraph on August the 30th, 2010.

Q. And do you have with you to provide to Mr. Asbury today your certificates with regard to mailing and the proof of publication that you got from the newspaper?

A. Yes.

Q. This is an Oakwood unit?

A. Yes.

Q. 80 acres?

A. Yes.

Q. And if you look at the map, there are multiple CBM wells in this unit, correct?

A. Yes.

Q. Is that because there's a coal mine under it?

A. Yes.

Q. Which mine?

A. Buchanan.

Q. And are you...is your goal here to include the cost as a participation or allocatable costs the two of the several wells?

A. Yes.

Q. And have you provided the Board with data in that regard?

A. I have.

Q. Have you provided the original well cost estimate back from '93?

A. Yes.

Q. And then a more reasonable...one of the more recent wells to get to a total of two?

A. Yes.

Q. Okay. Share with the Board the information in these two estimates?

A. Well 407 \$212,049.87. The depth is 1,531.42 feet. The permit number is 2099. Well Q-40 \$316,617.64. The depth is 1,980 feet. The permit number is 10249.

Q. And the total of these two cost estimates, I believe, is \$528,667.51, is that right?

A. Yes.

Q. Is there escrow required in this unit?

A. Yes. For Tract 3.

Q. And are there any split agreements?

A. Yes. Tract 4.

Q. And with regard to those folks in Tract

4 that have split agreements, you're asking for permission to pay them directly if the application is approved?

A. Yes.

Q. Is it your testimony that if you combine a pooling order with the leasing and acquisition efforts that you've been successful in, the correlative rights of everyone who has a claim or an ownership interest in the CBM in this unit will be protected?

A. Yes.

Q. And is it your opinion that drilling multiple wells to degas the coal under this unit is an excellent way to produce coalbed methane for the owners and claimants in the unit?

A. Yes.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

BILL HARRIS: Motion for approval.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Calling docket item number thirty-four, a petition from CNX Gas Company, LLC for a repooling of coalbed methane gas unit P-41, docket number VGOB-93-0216-0329-03. All parties wishing testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, state your name for us, please.

A. Anita Duty.

MARK SWARTZ: Mr. Chairman, if I could incorporate Anita's testimony from the prior hearing today with regard to the applicant and operator, her employment with the applicant and standard lease terms.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

Q. Anita, this is the same mapping line that we've been talking about in the previously two applications, correct?

A. Yes.

Q. And so we've got a slight change in the percentages here as a result of that as well?

A. Yes.

Q. Okay. And that's the reason for the repooling?

A. Yes.

Q. Okay. This is also, I'm guessing, it is an Oakwood unit, correct?

A. Yes.

Q. And we've got one well in the window of this unit?

A. Yes.

Q. And you've provided the Board with the original well cost estimate from '93, correct?

A. Yes.

Q. And that cost estimate was in what amount?

A. \$186,427.89.

Q. And the depth?

A. 1,411.23 feet. The permit number is 2049.

Q. Okay. Is there escrow required?

A. Yes. Tracts 2B and 2C.

Q. How about split agreements? Any of those?

A. Tracts 2A and 2D.

Q. Okay. And are you requesting that you be allowed to pay the folks identified as having split agreements directly?

A. Yes.

Q. And in regard...with regard to escrow requirements and split agreements, you've provided an Exhibit E and an Exhibit EE, is that right?

A. Yes.

Q. Okay. What is it that you've acquired in this unit over time and what interest are you seeking to pool?

A. We've acquired 99.9326% of the coal

claim and 73.2827% of the oil and gas claim. We're seeking to pool 0.0673% of the coal claim and 26.7173% of the oil and gas claim.

Q. Is it your opinion that drilling a frac well in the window of this Oakwood unit...Oakwood 80 acre unit is a reasonable way to produce the coalbed methane from the unit?

A. Yes.

Q. Is your further opinion that if you combine a pooling order pooling respondent's interests and claims with the leasing and acquisition activities that the applicant has been successful with, the correlative rights of all owners and/or claimants will be protected?

A. Yes.

Q. Do you want to add any respondents or dismiss any?

A. No.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?



BILL HARRIS: Motion for approval.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, folks.

MARK SWARTZ: Thank you, guys.

BUTCH LAMBERT: You all got the best part of the day today.

MARK SWARTZ: What, to say goodbye to me?

(Laughs.)

MARK SWARTZ: I didn't...I just...it was too easy.

BUTCH LAMBERT: It has been fun.

MARK SWARTZ: It was too easy. Hang in there, guys.

BUTCH LAMBERT: We'll do our best.

(Off record discussion.)

BUTCH LAMBERT: Mr. Scott, this Board is going to have to go into closed session at 4:30, if we can. Do you...can you prioritize the ones that you need for us to look at first?

TIM SCOTT: I've done that.

BUTCH LAMBERT: Oh, have you. All right. Okay.

SHARON PIGEON: I'll drink to that.

BUTCH LAMBERT: Yeah, I'll drink to that.

TIM SCOTT: We're going to continue items thirty-six---.

BUTCH LAMBERT: Continue?

TIM SCOTT: Uh-huh. ---forty---.

BUTCH LAMBERT: Forty?

TIM SCOTT: ---forty-one, forty-two---.

PHIL HORN: If we have to, right?

TIM SCOTT: If we have to, yes.

MARY QUILLEN: Is this to November?

TIM SCOTT: Yes, ma'am. ---forty-five and we're withdrawing forty-four.

SHARON PIGEON: Forty-four?

TIM SCOTT: We've got a legal location now.

BUTCH LAMBERT: Okay. Let me read those into the...I guess, what I heard was that we may want to

continue those?

PHIL HORN: We want to get as many as we can.

BUTCH LAMBERT: Okay, why don't we...why don't we do this, why we just call the ones that you didn't identify? If we have to go back...if we can go back, then we'll go back.

PHIL HORN: Thank you.

TIM SCOTT: Okay. All right, great.

BUTCH LAMBERT: Okay. We'll call item thirty-five on the docket. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed conventional gas well V-530247, docket number VGOB-10-0518-2711-01. All parties wishing to testify, please come forward.

(Exhibits are passed out.)

TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

(Phil Horn and Gus Jansen are duly sworn.)

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, your name, by whom you're employed and your job description, please.

A. Phil Horn, Land Manager, Range Resources-Pine Mountain, Inc. and one of my job descriptions is getting jobs...wells drilled and permitted.

Q. Are you familiar with this application?

A. Yes, I am.

Q. Are you familiar with the ownership of the oil and gas under this unit?

A. Yes, I am.

Q. And have we filed a revised application?

A. Yes, we have.

Q. And revised Exhibit A, is that correct?

A. That's correct.

Q. Can you tell the Board why?

A. The surveyors originally had the wrong location shown for P-197 and P-34, the wrong distances.

Q. Those have been corrected, is that correct?

A. That's correct.

Q. Okay. And then we've renotified?

A. That's right.

Q. Who operates the wells from which we're

seeking this location well exception?

A. EQT Production Company operates all but 530277 and Range operates 530277.

Q. So, do you also participate in the wells that EQT operates?

A. Yes, we do. We have 50% interest.

Q. Okay. How was notice of this hearing provided?

A. By certified mail.

Q. And we provided that to Mr. Asbury, is that correct?

A. Yes, you have.

TIM SCOTT: Thank you. That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman.

GUS JANSEN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, your name, by whom you're employed and your job description?

A. Gus Jansen, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. Are you familiar with this application?

A. Yes, I am.

Q. Did you also participate in the preparation of the application?

A. Yes, I did.

Q. Using Exhibit AA, would you please tell the Board why we're seeking a well location exception today?

A. Yes. If the Board will refer to Exhibit AA, you'll see the location of proposed well 530247. That's located at the best suitable location to recover the remaining reserves from the five offsetting wells in the very close vicinity and there is no legal location other than the location that we've selected here.

Q. What's the potential stranded acreage?

A. 86.37 acres.

Q. And the proposed depth?

A. 6,624 feet.

Q. And if this application is not granted, what would be the potential loss reserves?

A. 200,000,000 cubic feet of gas.

Q. And then in your opinion, if this application is granted, it would prevent waste, promote conservation and protect correlative rights, is that right?

A. That is correct.

MARK SWARTZ: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff.

Calling item thirty-seven on the docket, a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed conventional gas well V-530296, docket number VGOB-10-0921-2816. All parties wishing to testify, please come forward.

(Exhibits are passed out.)

TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman. I'd like to incorporate by reference the testimony regarding job description and employment by both Mr. Jensen and Mr. Horn.

BUTCH LAMBERT: Accepted.

TIM SCOTT: Thank you.

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, are you familiar with this application?



A. Yes, I am.

Q. And did you participate in the preparation of the application?

A. Yes, I did.

Q. Are you familiar with the ownership of this unit?

A. Yes, I am.

Q. And who owns the oil and gas under this unit?

A. Range Resources-Pine Mountain, Inc. owns all oil and gas except for Tract 3, which is owned by Nigel Counts.

Q. Okay. Who operates well number P-214?

A. EQT Production Company and we also own an interest in that well.

Q. Okay. How was notice of this hearing provided to parties listed on Exhibit B?

A. By certified mail.

Q. And that proof of mailing has been provided to Mr. Asbury?

A. Yes, it has.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

KATIE DYE: Mr. Chairman, I just have---.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: ---one question for Mr. Asbury. Is your plat signed?

PHIL HORN: That one is signed.

DAVID ASBURY: Yes, it was.

KATIE DYE: Thank you.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSEN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, are you familiar with this

application?

A. Yes, I am.

Q. And you've participated in the preparation of the application, is that right?

A. That is correct.

Q. Would you please tell the Board why we're seeking a well location exception for this well?

A. Again, if the Board will refer to Exhibit AA, you'll see the location of the proposed well 530296. This well is actually positioned on an existing well site with a shared...it's going to share the site with a CBM well location to minimize the surface disturbance and environmental impact of the well. It's also located there for topographic reasons if we could not get past that CBM well due to the steep topography beyond the location of the CBM well to the south.

Q. What would be the potential loss of...or stranded acreage here?

A. 108.35 acres.

Q. And the projected total depth?

A. 6,465 feet.

Q. And what would be the potential loss of reserves?

A. 400,000,000 cubic feet of gas.

Q. In your opinion, if this application is granted, it would prevent waste, promote conservation and protect correlative rights, is that correct?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff.  
Calling docket item thirty-eight, a petition from Range Resources-Pine Mountain, Inc. for a well location

exception for proposed conventional gas well V-530295, docket number VGOB-10-0921-2817. You may proceed, Mr. Scott.

TIM SCOTT: Thank you. Again, Mr. Chairman, I'd ask that the testimony regarding employment and job description for both Mr. Jansen and Mr. Horn be incorporated by reference with this docket item.

BUTCH LAMBERT: Accepted.

TIM SCOTT: Thank you.

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, are you familiar with this application?

A. Yes, I am.

Q. And you've participated in the preparation, is that correct?

A. That's correct.

Q. Who owns the oil and gas under this unit?

A. Range Resources-Pine Mountain, Inc. owns

100% of the oil and gas in this unit.

Q. And who operates the wells from which we're seeking the well location exception?

A. Our partner EQT Production Company.

Q. And how was notice given the parties listed on Exhibit B?

A. By certified mail.

Q. And that proof of mailing has been provided to Mr. Asbury, is that right?

A. Yes, it has.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

GUS JANSEN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, are you familiar with this application?

A. Yes, I am.

Q. And we're seeking a well location exception today. Would you please tell the Board why we're doing that?

A. Again, referring to Exhibit AA this is a location of proposed well 53295. This location has been selected in this area due to topographic constraints. We're using an existing...this area has been recently logged and there's an existing logging road in the disturbance down into this area and we've got down as far as we could possibly get due to the steepness of the terrain. In order to get another suitable location, we'd have to move the well probably approximately 1200 feet to the northeast and we'd again result in additional stranded acreages in this general area.

Q. How much acreage are we talking about that would be stranded?

A. At this location it would stranded acreage of 106.59 acres.

Q. Okay. And what's the proposed depth of this well?

A. Well depth proposed is 5,944 feet.

Q. And what would be the potential loss of reserves if the application is not granted?

A. 450,000,000 cubic feet of gas.

Q. And in your opinion, if this application is granted, it would prevent waste, protect correlative rights and promote conservation, is that right?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Let me just ask a quick question. There appears to be a couple of lakes here. One actually right under the...not really under the well, but is that overlapping. I'm trying to decide if those are contour lines or lake lines. I see a sportsman lake to the far east---.

GUS JANSEN: Correct. It's---.

BILL HARRIS: ---and then there's another lake under that.

GUS JANSEN: Yeah, I think there's actually only one lake in that general area. The lake is actually located down close to Rt. 80 in a small area. By the (inaudible) it's to the east. It's really outlined in a lighter grey. It's not a contour line, but right down in that bottom there is where the small lake is.

BUTCH LAMBERT: Sportsman Lake is misnamed. Right now it's not even a lake anymore.

GUS JANSEN: It's actually a pretty big little



pond.

BUTCH LAMBERT: It's a good mud puddle.

BILL HARRIS: Okay. Thank you.

BUTCH LAMBERT: Any other questions from the Board?

MARY QUILLEN: Mr. Chairman.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: Do you have a signed plat?

DIANE DAVIS: Yes.

BUTCH LAMBERT: Okay. You may continue, Mr. Scott.

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Okay. Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff.

(Exhibits are passed out.)

BUTCH LAMBERT: We're calling item thirty-nine on the docket. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed conventional gas well V-530270, docket number VGOB-10-0921-2818. You may proceed, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman. Again, Tim Scott, Phil Horn and Gus Jansen for Range Resources-Pine Mountain, Inc. Again, I'd request that the testimony from both gentlemen regarding their job description and their employment be incorporated by reference from the last docket item.

BUTCH LAMBERT: Accepted.

TIM SCOTT: Thank you.

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, are you familiar with this application?

A. Yes, I am.

Q. And was there a revised application and revised Exhibit A provided to the Board and filed?

A. That's correct. The distance to P-387 well from this well was inadvertently showed on the original application. It was corrected.

Q. And so that was...and then we renotified everybody, is that correct?

A. That's correct.

Q. Okay. Are you familiar with the ownership of the oil and gas under this unit?

A. Yes, I am.

Q. And can you tell the Board who operates the wells from which we're seeking the well location exception?

A. EQT Production Company and Range also owns an interest in all three wells.

Q. Okay. How was notice of this hearing provided to the parties listed on Exhibit B?

A. By certified mail.

Q. And that proof of mailing has been filed with the Board, is that correct?

A. That's correct.

TIM SCOTT: That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman.

GUS JANSEN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, are you familiar with this application?

A. Yes, I am.

Q. And would you please tell the Board why we're seeking a well location exception today?

A. Referring to Exhibit AA, the Board will see the location of proposed well 530270. This well has been positioned at the best suitable location to recover the remaining stranded reserves and there is no additional legal location in this area without infringing on other wells at this point for the three and four offsetting wells.

Q. What would be the stranded acreage if this not...if this application is not approved?

A. 94.56 acres.

Q. And what's the proposed depth of this

well?

A. 5,110 feet.

Q. And the potential loss of reserves if the application isn't granted?

A. 350,000,000 cubic feet of gas.

Q. In your opinion, if this application is granted, it will prevent waste, promote conservation and protect correlative rights, is that correct?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify---

BILL HARRIS: The---?

BUTCH LAMBERT: I'm sorry.

BILL HARRIS: ---signature on the plat, is

there---?

DIANE DAVIS: Yeah, we got it.

BUTCH LAMBERT: We got it.

BILL HARRIS: Oh, okay. Sorry.

BUTCH LAMBERT: Okay. I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. I think we're going down to forty-three.

TIM SCOTT: Yes, sir.

(Exhibits are passed out.)

BUTCH LAMBERT: Calling docket item forty-three, a petition for Range Resources-Pine Mountain, Inc. for a well location exception for proposed conventional gas well 900005, docket number VGOB-10-0921-2822. You may proceed, Mr. Scott.

TIM SCOTT: Thank you. Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

Again, I'd ask that the testimony regarding job description and employment be incorporated by reference from a prior docket item.

BUTCH LAMBERT: Accepted.

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, are you familiar with this application?

A. Yes, I am.

Q. Are you also familiar with the ownership of the oil and gas in this unit?

A. That's correct.

Q. And who owns the oil and gas?

A. That's (inaudible) Coal Partnership owns the coal, oil and gas.

Q. Okay. Who operates the wells from which we're seeking the location exception?

A. Those are Range Resources-Pine Mountain, Inc.'s wells that we recently purchased from Chesapeake.

Q. Okay. And that's the reason for the different numbers, is that right?

A. That's correct.

Q. Okay. How was notice of this hearing provided to the parties listed on Exhibit B?

A. By certified mail.

Q. And we've provided proof of mailing with the Board, is that correct?

A. That's correct.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSEN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, are you familiar with this application?

A. Yes, I am.



Q. And would you please tell the Board why we're seeking a well location exception today?

A. Yes. Referring to Exhibit AA, this is the location of proposed well V-900005. This well has been positioned at this location for topographic reasons and for proposed future development. The nearest legal location is approximately 1200 feet to the southeast and will result in an significant amount of stranded acreage if we were required to move the well. We feel like this is a better location at this proposed location.

Q. What is the amount stranded acreage?

A. 103.35 acres.

Q. Okay. And what's the proposed depth of this well?

A. 6,118 feet.

Q. And what's the potential loss of reserves if the application is not granted today?

A. 400,000,000 cubic feet of gas.

Q. In your opinion, if the application is granted, it would prevent waste, protect correlative rights and promote conservation, is that correct?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second.  
Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by  
saying yes.

(All members signify by saying yes, but Donnie  
Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain.

BUTCH LAMBERT: Thank you, Mr. Scott. It's  
approved. Do you want to jump back to forty?

TIM SCOTT: Yes. Or thirty-six...thirty-six.

BUTCH LAMBERT: Thirty-six?

TIM SCOTT: Yes, sir.

PHIL HORN: Thirty...no, what about forty-five?

TIM SCOTT: Do you want to do it---?

GUS JANSEN: Do you want to do the exception?  
Yeah, we can do that.

PHIL HORN: Forty-five, if it's that okay.

BUTCH LAMBERT: Forty-five?

PHIL HORN: Yes, sir.

TIM SCOTT: Sold.

MARY QUILLEN: Forty-five, is that the one we're going to do?

PHIL HORN: Yes, ma'am. The last one.

BILL HARRIS: Forty-five.

(Exhibits are passed out.)

BUTCH LAMBERT: Forty-five. Calling docket item number forty-five, a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed conventional gas well 900004, docket number VGOB-10-0921-2824. You may proceed, Mr. Scott.

TIM SCOTT: Thank you. Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc. Again, I'd ask that the testimony regarding job description and employment be incorporated by reference from our prior hearings.

BUTCH LAMBERT: Accepted.

TIM SCOTT: Thank you.

PHIL HORN

having been duly sworn, was examined and testified as

follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, are you familiar with this application?

A. Yes, I am.

Q. Are you familiar with the ownership of the oil and gas encompassed by this unit?

A. Yes, I am.

Q. And who owns the oil and gas under this unit?

A. (Inaudible) Coal partnership owns 90.25% and Yellow Popular Lumber Company owns 9.75%.

Q. Who operates the wells from which we're seeking an offset?

A. Range Resources-Pine Mountain, Inc.

Q. Both, is that correct?

A. That's correct.

Q. Okay. Since you've mentioned the fact that we've got Yellow Popular Lumber in this unit, notice was effected by both certified mailing and by publication in the Bluefield Daily Telegraph, is that correct?

A. That's correct.

Q. Okay. And proof of those mailings have been provided to the Board and the publication?

A. Yes.

TIM SCOTT: Okay. That's all I have for Mr. Horn.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSEN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, are you familiar with this application?

A. Yes, I am.

Q. And you participated in the preparation of the application?

A. Yes, I did.

Q. And please tell the Board why we're

seeking a well location exception for this particular well?

A. Again, referring to Exhibit AA, you'll see the location for proposed well 900004. This well has been existing at this location for topographic reasons and to maximize the resource recovery. The nearest non-exception location will be to the west or to the south, which would be approximately 1200 feet again away and result in additional stranded acreage in this...in this area.

Q. And what would that acreage figure be?

A. 110.4 acres.

Q. What's the proposed depth of this well?

A. 5,949 feet.

Q. And if the application were not granted what would be the loss of reserves?

A. 400,000,000 cubic feet of gas.

Q. Okay. And if the Board approves this application, it would promote conservation, prevent waste and protect correlative rights, is that correct?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Do you have a plat with a

signature, Mr. Chairman?

DAVID ASBURY: We do.

TIM SCOTT: Ms. Quillen, we're just doing that to keep you on your toes.

(Laughs.)

SHARON PIGEON: We can see our toes in a different angle here in a second.

TIM SCOTT: Yes. Yes. That's why I'm sitting down.

(Laughs.)

TIM SCOTT: I like the seated position better. Thank you.

(Laughs.)

BUTCH LAMBERT: Do I have a---?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion for approval.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes, but Donnie

Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff.

Thank you, gentlemen.

TIM SCOTT: Thank you very much.

PHIL HORN: Thank you.

BUTCH LAMBERT: We need to...we need to keep these other folks here to see how we do this.

SHARON PIGEON: Yeah.

DONNIE RATLIFF: No, they're probably gone.

(Laughs.)

BRUCE PRATHER: We would just slip one or two more in here pretty quick the way we're going at it.

GUS JANSEN: We could probably do a couple of more.

TIM SCOTT: Somewhere along the way, I have to take a breath.

(Laughs.)

BUTCH LAMBERT: Thank you. We appreciate it.

PHIL HORN: Thank you.

TIM SCOTT: Thank you.

BUTCH LAMBERT: At this time, this Board needs to enter into closed session. I'll ask Mr. Harris if he



will make the motion to enter us into closed session.

BILL HARRIS: Motion for closed meeting, Mr. Chairman, pursuant to Section 2.2-3711(A)(7) of the Code of Virginia. I move that the Virginia Gas and Oil Board convene a closed session for consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel.

BUTCH LAMBERT: Thank you, Mr. Harris. Do I have a second on the motion?

DONNIE RATLIFF: Second.

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: At this time, this Board is now in closed session. I would ask that the other folks may now leave the room.

(Closed session.)

BUTCH LAMBERT: This Board is now reconvening in open session. I'll ask Mr. Harris if he will read the motion to bring us back into open session.

BILL HARRIS: Whereas, the Board has convened a closed meeting on this date of October the 19th, 2010

pursuant to an affirmative record vote and in accordance with the provision of the Virginia Freedom of Information Act; and, whereas, Section 2.2-3712(D) of the Virginia Code requires a certification by the Board that such closed meeting was conducted in conformity with the Virginia Law. Now, therefore, the Virginia Gas and Oil Board hereby certified that to the best of each members knowledge that only public business matters lawfully exempted from open meeting requirements by Virginia Law were discussed in the closed meeting to which this certification applies and only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Board.

BUTCH LAMBERT: Madam Recorder, would you poll the Board?

COURT REPORTER: Mary Quillen?

MARY QUILLEN: Yes.

COURT REPORTER: Bruce Prather?

BRUCE PRATHER: Yes.

COURT REPORTER: Donnie Ratliff?

DONNIE RATLIFF: Yes.

COURT REPORTER: Bill Harris?

BILL HARRIS: Yes.

COURT REPORTER: Butch Lambert?

BUTCH LAMBERT: Yes.

COURT REPORTER: Katie Dye?

KATIE DYE: Yes.

BUTCH LAMBERT: Thank you. Okay, at this time, the Board will entertain a motion as to the actions that was discussed in closed session. Do I have a motion?

DONNIE RATLIFF: I'll make that motion, Mr. Chairman. The Board desires to expand the escrow audit by the following three actions: First, to extend the engagement with RFCA through December 31, 2011. Secondly, to expand the audit to include all escrow unit accounts beginning January 1, 2000. Thirdly, to hire two to four independent contractors that would report to the Staff's principal executive for the specific purpose of reconciling escrow accounts.

BUTCH LAMBERT: Okay. I have a motion. Do I have a second?

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second. Are there any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you. One other business that I need to take care of real quickly. The docketed items that will be continued until November are VGOB-10-0921-2815, docket number VGOB-10-0921-2819, docket number VGOB-10-0921-2820 and docket number VGOB-10-0921-2821. Those items will be continued until November. And, finally, we need to approve the minutes of the last meeting. Are there any additions or corrections to those minutes?

(No audible response.)

BUTCH LAMBERT: Do I have a motion to approve?

MARY QUILLEN: Motion to approve.

BUTCH LAMBERT: Do I have a second?

BRUCE PRATHER: Second.

BILL HARRIS: Second. I'm sorry, Mr. Prather did.

BUTCH LAMBERT: Okay. I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, ladies and gentlemen.

COURT REPORTER: You said to remind you about the December meeting.

BUTCH LAMBERT: The December meeting, yes. The December meeting, I've had enquiries on whether or not we want to keep the scheduled date for the December meeting, which is right now scheduled for---.

BILL HARRIS: It's a week before Christmas, isn't it?

COURT REPORTER: December the 21st, I think.

BUTCH LAMBERT: It's the...right now it's scheduled for the 20th, which will be the week of Christmas. I'm sorry, our meeting is scheduled for the 21st. Do we have a preference? Do we want to keep that date or would we like to change it? Some of the...I've had requests from some of the companies that if we could move it up a week or back a week they would appreciate that. But I will leave that up to the Board.

DONNIE RATLIFF: The 14th?

BUTCH LAMBERT: The 14th.

DONNIE RATLIFF: It suits me.

BUTCH LAMBERT: Everybody else okay with the  
14th?

BRUCE PRATHER: I have no problem with it.

BILL HARRIS: Is that a problem with staff?  
Anything happening there?

DAVID ASBURY: We just have to make sure the  
announcements make it to all of the legal staff. It may  
be a good thing for us to put the November docket and we  
may have enough to go already into December without  
receiving new docket items.

BUTCH LAMBERT: I think that's a good idea...an  
excellent idea. We need to do that.

SHARON PIGEON: Finish up the year with it.

BUTCH LAMBERT: Finish up the year with a clean  
start.

DAVID ASBURY: Just not...just not accept any  
docket numbers or additional dockets until January---?

BUTCH LAMBERT: Yeah, for December.

DAVID ASBURY: ---or until December for  
January?

BUTCH LAMBERT: Okay.

DAVID ASBURY: You all would have to make that  
motion.

BUTCH LAMBERT: I'm certainly for that, if

everybody else is okay with doing that and cleaning up the docket for the year because it sounds like we're going to have enough carry over probably to fill the docket.

DAVID ASBURY: We had twenty-four carried over. I'm not sure...I mean, twenty-four from the last time carried over for November and plus five or six here. So, that's thirty already. Plus we have more.

BUTCH LAMBERT: Okay. So...okay, so we'll reschedule---.

MARY QUILLEN: Do you need a motion?

BUTCH LAMBERT: I'm sorry?

MARY QUILLEN: Do you need a motion for that?

BILL HARRIS: Are we still...yeah, we are. We're still on the record.

BUTCH LAMBERT: Yeah, we're still on the record. Yes. Uh-huh. Do I have a motion to move the December meeting from the 21st to the 14th?

DONNIE RATLIFF: So moved, Mr. Chairman.

BILL HARRIS: Second.

MARY QUILLEN: Second.

BUTCH LAMBERT: Okay. I have a motion and a second. Any discussion?

(No audible response.)

BUTCH LAMBERT: All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Also, we will direct David to cut off docket items for December.

DAVID ASBURY: The December Board meeting on the 14th will be to have any flow over items from November---.

BUTCH LAMBERT: Yes.

DAVID ASBURY: ---to clear the docket and then begin receive new docket items in December for January then.

BUTCH LAMBERT: For January, okay. Correct. Okay, good.

DAVID ASBURY: If that's okay with the Board.

BUTCH LAMBERT: Okay. Thank you all. Sorry to keep you so late.

STATE OF VIRGINIA:

COUNTY OF BUCHANAN:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on



a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 9th day of October, 2010.

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NOTARY PUBLIC

My commission expires: August 31, 2013.